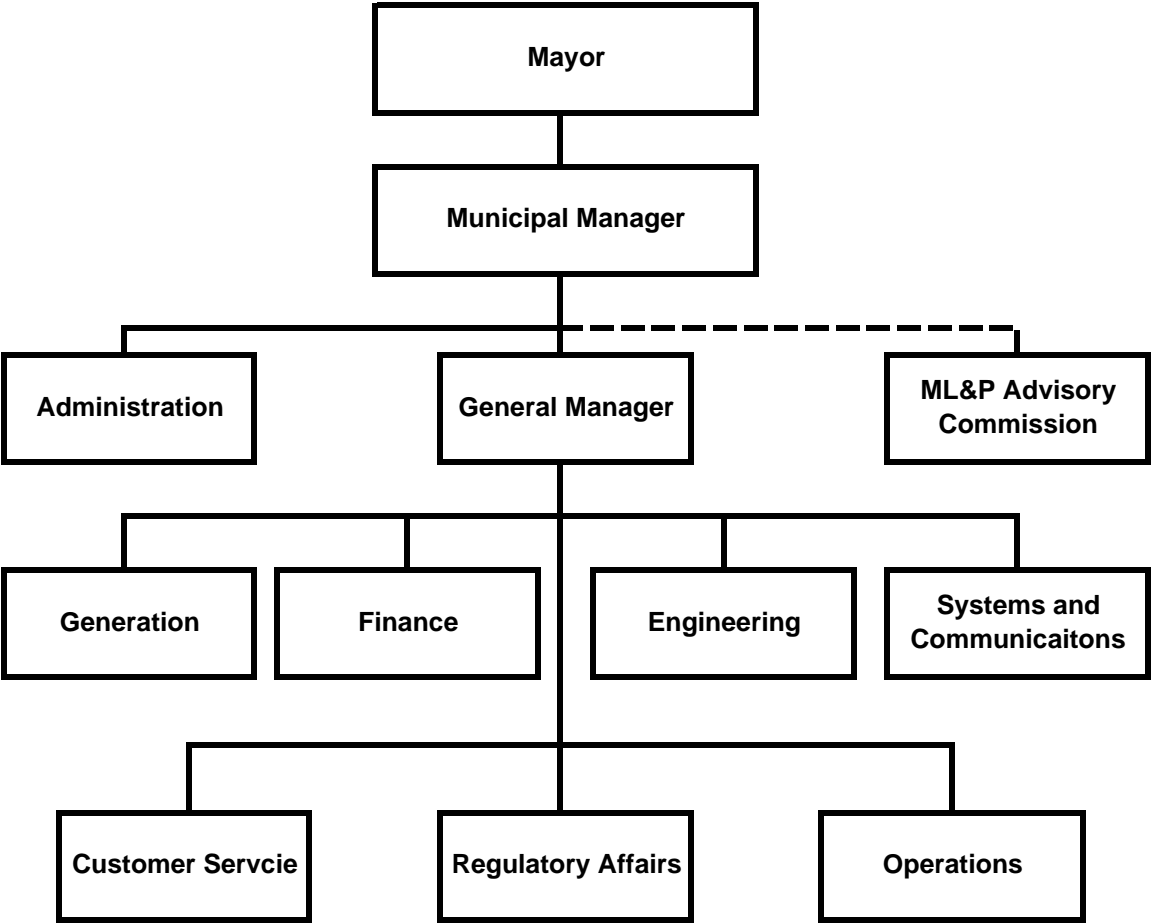


Municipal Light & Power



Municipal Light & Power

8 Year Summary

(\$ in thousands)

Financial Overview	2012 Actuals	2013 Proforma	2014 Budget	2015	2016	2017	2018	2019
				Forecast				
Revenues	122,974	121,134	139,270	160,318	163,380	199,223	202,806	177,821
Expenses	107,712	117,501	121,312	128,512	142,850	185,951	188,875	165,095
Net Income (Loss) - Regulatory	15,262	3,633	17,958	31,806	20,530	13,272	13,931	12,726
Work Force Authorized per Budget - FTE	225	269	268	268	268	268	268	268
Capital Improvements	95,507	127,646	56,313	57,147	46,608	32,235	27,754	25,946
Bond Sales/ Commercial Paper	50,000	45,000	114,500	20,500	275,000	-	-	-
Net Non-Contributed Plant (12/31) (REG)	479,957	513,019	592,943	682,615	695,800	673,766	659,882	652,375
Net Contributed Plant (12/31)	73,044	70,096	90,726	104,216	106,219	102,159	94,110	88,228
Net Plant (12/31) (GAAP)	553,001	583,114	683,669	786,832	802,019	775,925	753,992	740,603
Retained Earnings (12/31)	248,074	245,688	257,720	282,693	295,338	300,570	304,670	307,387
General and Restricted Cash	99,353	93,946	94,369	2,844	1,677	27,768	39,638	43,440
Bond Construction Cash	2,358	-	-	-	-	-	-	-
Bond Redemption Investment	31,123	30,245	30,233	30,060	29,866	29,528	29,528	24,649
Debt Service Account	2,519	2,470	2,476	2,457	2,376	2,355	2,422	2,058
Operating Fund Investment & Customer Deposits	10,771	12,271	12,871	14,771	15,671	18,271	18,071	17,471
Total Cash & Investments	146,124	138,932	139,949	50,132	49,590	77,922	89,659	87,618
IGCs - General Government	3,498	3,922	3,678	3,752	3,827	3,903	3,981	4,061
Dividend	6,786	6,018	5,927	6,833	7,886	8,039	9,831	10,010
MUSA and Gross Receipts	5,550	5,540	7,588	7,988	8,341	13,048	13,573	13,747
Total Outstanding Debt	223,635	251,550	348,140	350,065	387,750	380,340	372,530	369,231
Total Annual Debt Service	30,868	30,229	30,232	29,957	20,481	29,492	29,528	24,649
Debt Service Coverage	1.59	1.48	1.78	1.93	2.74	2.60	2.60	2.74
LT Debt/Equity Ratio	47.4/52.6	50.6/49.4	57.5/42.5	55.3/44.7	56.7/43.3	55.9/44.1	55.0/45.0	54.6/45.4
Rate Change Percent	0.00%	7.78%	16.54%	7.20%	0.00%	25.00%	0.00%	6.50%
Electric Statistical/Performance Trends								
Residential Customer (500 kWh)	\$61.12	\$65.51	\$72.89	\$84.37	\$86.02	\$105.19	\$106.08	\$94.25
Total Residential Sales (kWh)	146,789	144,000	144,358	144,716	145,074	145,434	145,794	146,156
Commercial & Industrial Sales (kWh)	754,622	755,077	759,531	764,011	768,518	773,050	777,611	782,197
Total Residential, Commercial and Industrial kWh Sales	901,411	899,077	903,889	908,727	913,592	918,484	923,405	928,353
Total Retail Sales Revenue	\$101,421	\$113,730	\$130,447	\$150,421	\$154,752	\$189,110	\$191,937	\$166,232

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

2014 Statement of Revenues and Expenses

	2012 Actual	2013 Proforma	2013 Revised	2014 Proposed	14 v 13 % Change
Operating Revenue					
Residential	17,221,156	18,741,000	19,047,000	21,045,000	10.5%
Commercial & Industrial	70,690,478	80,034,000	79,330,000	92,611,000	16.7%
Public Highway & Street Lighting	1,220,224	1,378,000	1,194,000	1,435,000	20.2%
Military	11,827,304	12,609,000	13,583,000	15,356,000	13.1%
Sales for Resale	16,408,646	4,374,000	21,667,000	4,524,000	-79.1%
Miscellaneous Service Revenue	2,011,282	1,411,000	1,664,000	1,411,000	-15.2%
Total Operating Revenue	119,379,090	118,547,000	136,485,000	136,382,000	-0.1%
Non Operating Revenue					
Interest from Bond Redemption Cash	113,780	88,000	168,000	156,000	-7.1%
Interest from General Cash Pool	868,187	109,000	1,613,376	127,000	-92.1%
Miscellaneous Non-Operating Revenue	2,612,638	2,390,000	2,653,000	2,605,000	-1.8%
Total Non Operating Revenue	3,594,605	2,587,000	4,434,376	2,888,000	-34.9%
Total Revenue	122,973,695	121,134,000	140,919,376	139,270,000	-1.2%
Operating Expense					
Labor					
Labor and Benefits	25,403,780	26,500,000	27,559,000	28,298,000	2.7%
Overtime	2,418,108	2,000,000	2,000,000	2,000,000	0.0%
Total Labor	27,821,888	28,500,000	29,559,000	30,298,000	2.5%
Non-Labor:					
Material & Supplies	9,124,512	9,614,000	9,336,080	9,813,000	5.1%
Travel	91,171	130,000	130,000	100,000	-23.1%
Natural Gas Purchases & Transportation	12,799,686	15,239,000	19,813,000	14,413,000	-27.3%
Gas Production Expense	13,016,734	12,673,000	14,044,000	13,835,000	-1.5%
SPP		3,620,000	4,213,000	3,620,000	-14.1%
Purchased Power	3,914,909	4,393,000	4,305,000	4,369,000	1.5%
Regulatory Debit/Credit	(1,342,817)	(7,411,000)	(6,078,000)	(2,359,000)	-61.2%
Transfers (MUSA and Gross Receipts)	5,549,734	5,540,000	5,540,000	7,588,000	37.0%
Depreciation, Depletion & Amortization	26,877,295	29,517,000	30,481,909	30,584,000	0.3%
Total Non-Labor	70,031,224	73,315,000	81,784,989	81,963,000	0.2%
Total Direct Cost	97,853,112	101,815,000	111,343,989	112,261,000	0.8%
Intragovernmental Expenses	2,877,826	3,922,000	3,922,000	3,678,000	-6.2%
Total Operating Expense	100,730,938	105,737,000	115,265,989	115,939,000	0.6%
Non Operating Expense					
Misc. Non-Operating Expense	269,056	300,000	450,000	300,000	-33.3%
Interest on Bonded Debt	13,953,484	13,091,000	13,284,000	12,322,000	-7.2%
Amortization of Bonds	447,987	381,000	254,810	287,000	12.6%
Other Interest Expense	992,622	1,129,000	906,000	964,000	6.4%
Allowance for Funds Used During Construction	(8,682,299)	(3,137,000)	(6,004,000)	(8,500,000)	41.6%
Total Non-Operating Expense	6,980,850	11,764,000	8,890,810	5,373,000	-39.6%
Total Expenses (Function Cost)	107,711,788	117,501,000	124,156,799	121,312,000	-2.3%
Net Income	15,261,907	3,633,000	16,762,577	17,958,000	7.1%
Appropriation					
Total Expenses			124,156,799	121,312,000	-2.3%
Less: Non-Cash items					
Depreciation, Depletion & Amortization			30,481,909	30,584,000	0.3%
Regulatory Debits/Credits			(6,078,000)	(2,359,000)	-61.2%
Allowance for Funds Used During Construction			(6,004,000)	(8,500,000)	41.6%
Amortization of Bonds			254,810	287,000	12.6%
Total Non-Cash			18,654,719	20,012,000	7.3%
Amount to be Appropriated (Cash Expenses)			\$105,502,080	\$101,300,000	-4.0%

Municipal Light & Power

Reconciliation from 2013 Revised Budget to 2014 Proposed Budget

	Appropriation	Positions		
		FT	PT	T
2013 Revised Budget	105,502,080	256	-	23
Transfers (to)/from Other Agencies				
- Transfers to/from others	(244,000)	-	-	-
Debt Service Changes				
- Interest Expense	(904,000)	-	-	-
Changes in Existing Programs/Funding for 2014				
- Salary and benefits adjustments	739,000	-	-	-
- Natural Gas Purchases and Transportation	(5,400,000)	-	-	-
- South Central Alaska Power Project - Operating Expense	(593,000)	-	-	-
- Gas Production Expense	(209,000)	-	-	-
- Purchased Power	64,000	-	-	-
- Commercial Paper Expense	288,000	-	-	-
- MUSA and Gross Receipts	2,048,000	-	-	-
2014 Continuation Level	101,291,080	256	-	23
2014 Proposed Budget Changes				
- Materials and Supplies	38,920	-	-	-
- Travel Reduction	(30,000)	-	-	-
2014 Proposed Operating Budget	101,300,000	256	-	23

Municipal Light & Power
2014 - 2019 Capital Improvement Program
(in thousands)

Project Category	2014	2015	2016	2017	2018	2019	Total
Production	18,485	14,605	11,085	3,605	7,905	2,355	58,040
Transmission	1,676	1,715	2,090	1,730	1,765	4,630	13,606
Distribution	11,800	10,927	10,665	10,915	10,540	10,641	65,488
General Plant	3,903	2,538	2,963	3,125	2,065	2,543	17,137
Beluga River Gas Field	20,449	27,362	19,805	12,860	5,479	5,777	91,732
Total	56,313	57,147	46,608	32,235	27,754	25,946	246,003

Funding Source	2014	2015	2016	2017	2018	2019	Total
Equity/Operations	18,514	15,790	16,290	14,748	17,624	15,950	98,916
Revenue Bond/Commercial Pay	11,000	11,000	7,500	1,000	1,000	1,000	32,500
Contribution in Aid of Constructi	6,350	2,995	3,013	3,627	3,651	3,219	22,855
Beluga Contributed	20,449	27,362	19,805	12,860	5,479	5,777	91,732
Total	56,313	57,147	46,608	32,235	27,754	25,946	246,003

Municipal Light & Power
2014 Capital Improvement Budget
(in thousands)

Project Title	Equity/ Operations	Revenue Bond/ Commercial Paper	Contribution in Aid of Construction	Beluga Contributed	Total
Eklutna Power Plant	430	-	-	-	430
Structures & Improvements - Plant 1/Plant 2	100	-	-	-	100
Unit 3	100	-	-	-	100
Unit 5	300	-	-	-	300
Unit 6	400	-	-	-	400
Unit 7	1,300	-	-	-	1,300
Unit 8	500	-	-	-	500
Plant 2A	-	11,000	-	-	11,000
Plant 1 - Projects	205	-	-	-	205
Plant 2 - Projects	400	-	3,750	-	4,150
Land & Land Rights - Transmission	20	-	-	-	20
Transmission Lines	570	-	-	-	570
Transmission Stations	1,086	-	-	-	1,086
Distribution Equipment	2,450	-	-	-	2,450
Land & Land Rights - Distribution	32	-	-	-	32
Meters	800	-	-	-	800
Overhead Lines	790	-	371	-	1,161
Street Lighting	44	-	-	-	44
Transformer Services	2,284	-	-	-	2,284
Underground Lines	2,800	-	2,229	-	5,029
Communications	2,178	-	-	-	2,178
Misc Equipment	300	-	-	-	300
Stores/Tools/Lab	875	-	-	-	875
Structures & Improvements - General Plant	200	-	-	-	200
Transportation	350	-	-	-	350
Beluga River Gas Field	-	-	-	20,449	20,449
Total	18,514	11,000	6,350	20,449	56,313

Municipal Light & Power Statement of Cash Sources and Uses

	2012 Actual	2013 Proforma	2014 Budget
Sources of Cash Funds			
Net Income	\$15,261,907	\$3,633,000	\$17,958,000
Depreciation/Depletion/Amortization	26,877,294	29,517,000	30,584,000
Amortized Bond Discount	447,987	381,000	287,000
Bond Proceeds	50,000,000	45,000,000	114,500,000
Deferred Charges and Other Assets	(5,653,000)	929,827	(578,032)
Contribution in Aid of Construction	32,089,535	4,952,000	32,762,000
Changes in Assets and Liabilities	(22,422,929)	(10,068,553)	(42,493,626)
Total Sources of Cash Funds	96,600,794	74,344,274	153,019,342
Uses of Cash Funds			
Additions to Plant	88,670,080	64,090,682	134,767,965
Debt Principal Payment	16,915,000	17,085,000	17,910,000
Total Uses of Cash Funds	105,585,080	81,175,682	152,677,965
Net Increase (Decrease) in Cash Funds	(8,984,286)	(7,191,408)	341,377
Cash Balance, January 1	155,108,241	146,123,955	139,607,046
Cash Balance, December 31	146,123,955	138,932,547	139,948,423
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	19,874,531	9,380,652	33,906,177
Bond Cash	2,358,175	-	-
BRU Construction & Future Gas Purchases	79,478,604	84,565,059	60,462,515
Bond Investment	31,122,578	30,245,422	30,232,758
Debt Service	2,519,090	2,470,437	2,475,996
Operating Fund Investment & Customer Deposits	10,770,977	12,270,977	12,870,977
Cash Balance, December 31	146,123,955	138,932,547	139,948,423

Municipal Light & Power Workforce Projections

Division	2012	2013	2014	2015	2016	2017	2018	2019
Administration	15	13	12	12	12	12	12	12
Customer Service	21	25	25	25	25	25	25	25
Engineering	28	30	30	30	30	30	30	30
Finance	21	22	22	22	22	22	22	22
Generation	81	80	80	80	80	80	80	80
Operations	59	60	60	60	60	60	60	60
Regulatory	8	6	6	6	6	6	6	6
Systems & Communications	26	21	21	21	21	21	21	21
Total full time	259	257	256	256	256	256	256	256
Part-Time/Temporary	24	23	23	23	23	23	23	23
Total Positions	283	280	279	279	279	279	279	279
Total FTE	271	269	268	268	268	268	268	268

About Municipal Light & Power

Organization

Municipal Light & Power (ML&P) is functionally structured into eight operating divisions: Generation & Power Management, Engineering, Operations, Finance, Regulatory Affairs, Customer Service, Administration, and Systems & Communication. Each division manager reports directly to the General Manager.

As of December 31, 2012, ML&P had 231 employees and total labor and benefit costs of approximately \$42 million, which includes operating and capital labor expenditures. Of these 231 employees, 173 were covered by a labor agreement with the IBEW and 58 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. Unit 3, which was purchased in 1968 and remained in service for 36 years, was retired in 2004. Unit 3's replacement, which is the first new generating unit for ML&P in more than 20 years, began commercial operation August 16, 2007. The 30 megawatt simple-cycle gas turbine is a GE LM2500+ and cost \$27.5 million to purchase and install. Four of the seven gas fired 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 nineteen modern substations and is the south-end controller of the Alaska Intertie from Anchorage to Fairbanks.

In late 1996, the Municipality purchased a one-third working interest in the Beluga River Gas Field, which established 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. On August 28, 2008 ML&P entered into an agreement with Chugach Electric Association for a dedicated 30% share of the output of the Southcentral Power Project (SPP) plant, varying in electrical output from 45 MW to 54 MW depending on season and temperature. The plant entered into commercial operation January 31, 2013.

Services

ML&P service area encompasses 19.9 contiguous square miles including a large portion of the commercial and high-density residential areas of the Municipality. In 2012, the average number of residential and commercial customers was 24,443 and 6,300 respectively. Commercial customers account for approximately eighteen percent of ML&P's customer billings, yet consume sixty-eight percent of its retail output.

In 2012, electric retail sales totaled 1,114,282 MWh resulting in revenues of \$100,959,162. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were \$119,379,090. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical service.

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.

ML&P budgets are submitted to the Administration before submittal to the Municipal Assembly for approval.

Environmental Mandates

Environmental mandates imposed by the Federal and State governments will continue to add to the cost of environmental compliance. Scoping of environmental alternatives and pre-permitting assessments associated with equipment replacements, new generation, and services expansion will require effort to assure continued regulatory compliance. Recent changes to State oil spill prevention regulations are imposing additional requirements for corrosion protection of fuel storage tanks and piping. As a result, fuel system upgrades will be required.

Emergency Preparedness/Security/Cyber Security

Because of the threat of natural disasters and potential for gas supply disruptions in Cook Inlet, ML&P is continuing its efforts to prevent and minimize threats to the utility as well as establishing recovery procedures. These efforts are done in conjunction with the MOA, state and federal agencies, and other local utilities. Upgraded fencing, increased closed circuit TV monitoring and 24-hour guard service at ML&P generation plants have been implemented to enhance security at ML&P's facilities. Personnel within the utility continue to monitor cyber threats and are constantly taking steps to ensure data integrity and prevention against loss of data through the use of enhanced security measures. Alaska Partnership for Infrastructure Protection (APIP) continues to be a valuable tool for information flow from the private sector to the public sector to support emergency response and recovery.

Electric and Gas Plant

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

- | | | |
|---|----------------------|---------|
| • Power Generated/Purchased in 2012 | 1,254,208 MWh | |
| • ML&P Generated | 1,066,120 MWh | 85.00% |
| • Eklutna Hydroelectric Project | 71,163 MWh | 5.67% |
| • Purchased: | | |
| - Bradley Lake Project | 116,925 MWh | 9.32% |
| - Chugach Electric Assoc. | 0 MWh | 0.00% |
| • Total Thermal Generation capacity in 2012 | 340.8 Megawatts (MW) | at 30°F |
| • Power Plant One (4 Turbines & 2 Diesels) | 98.9 MW | 29% |
| • Power Plant Two (4 Turbines) | 241.9 MW | 71% |
| • Seven Gas Fired Turbines | | |
| • One Heat Recovery Turbine | | |
| • Four of the seven gas fired turbines are equipped to use No. 2 fuel oil as an alternate fuel | | |
| • Distribution System in 2012 | 374 Miles | |
| • Underground Cable | 250 Miles | 66.84% |
| • Overhead Line | 124 Miles | 33.16% |
| • 19 Substations | | |
| • Total Electric Plant as of December 31, 2012 | \$447,880,646 | |
| • Total Gas Plant as of December 31, 2012 | \$105,120,763 | |
| • ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44.4 MW of installed capacity. | | |
| • Pursuant to a 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 Organizational Overview

Municipal Light & Power (ML&P) is functionally structured into eight operating divisions: Generation & Power Management, Engineering, Operations, Finance, Regulatory Affairs, Customer Service, Administration and Systems & Communication. Each division manager reports directly to the General Manager.

General Manager's Office

The General Manager is responsible for the overall management of Municipal Light & Power. ML&P is functionally structured into eight operating divisions: Administrative, Generation and Power Management, Engineering, Operations, Finance, Regulatory Affairs, Customer Service and Systems & Communication. Each division's manager reports directly to the General Manager. The General Manager and Division Managers are responsible for coordinating both the strategic planning efforts and the efficient application of resources necessary to achieve ML&P's mission.

Administrative Division

The Administrative Division provides support to the General Manager. Functions carried out by the Administrative section include: human resources, labor relations, safety, security, public relations, legal services, telephone switchboard/receptionist duties, and courier/mailroom operations.

Objectives and Tasks

- Recruit and retain technically competent, highly skilled and professional employees to join the ML&P team by providing a competitive wage scale
- Continue to provide employees with the training and education necessary to maintain technical competence and professional credentials
- Successfully negotiate and administer the ML&P/IBEW Collective Bargaining Agreement
- Ensure labor contract management compliance and respond to union grievances
- Provide educational material and programs related to energy matters and safety for the public
- Maintain the security of ML&P facilities and personnel
- Coordinate with or assist other municipal departments in joint or common projects
- Coordinate with other utilities on matters of common concern
- Administer Municipal Policies and Procedures within the utility
- Prepare and review ML&P Policies and Procedures
- Administer AERC, MOA-OEO, and ERC regulations
- Ensure compliance with ADA, FMLA, and FLSA
- Coordinate security matters with state and federal agencies
- Maintain Employee Classification System
- Review and administer disciplinary actions
- Prepare and review letters of agreement and proposed amendments and modifications of the Collective Bargaining Agreement
- Resolve contract disputes with contractors
- Provide timely and accurate information to the media, customers, and the public about the utility and issues facing the electric industry
- Manage responses to the public, media and Mayor's office during power outages or emergency situations

- Manage and enhance ML&P's reputation by selectively participating in community events, programs and sponsorships that enhance the quality of life in Anchorage and offer positive public relations for the utility, including business, school and energy efficiency partnerships.
- Manage ML&P contributions budget
- Maintain the Key Accounts Program by providing bi-monthly newsletters to commercial customers and information regarding demand-side management
- Provide pertinent information to residential and commercial customers through a newsletter published every other month and through bill stuffers
- Promote electric safety and energy conservation in elementary schools through presentations requested by the Anchorage School District
- Manage plant tours for vocational schools and other groups
- Manage special utility projects related to commercial accounts, renewable resources (Green Power) and energy efficiency
- Monitor the overall usage of the ML&P website and manage data to insure effectiveness

Generation and Power Management Division

The Generation and Power Management Division is responsible for the production and dispatch of all thermal electricity at ML&P and the dispatch of the Eklutna Hydroelectric plant.

This includes operation, maintenance, engineering, and installation of equipment used in conjunction with the two municipally owned electric power plants. The division also provides full spectrum maintenance and support for the Eklutna Hydroelectric Power Plant of which ML&P owns 53 percent.

The Generation and Power Management division is also responsible for the safe and efficient operation of the Dispatch Center and for the management of environmental compliance programs.

The generation division is working to improve efficiency and safety by better organizing its drawing system. Plant personnel and contract engineers are working to update drawings to match the current plant configuration. The Piping and Instrument Diagrams (P&IDs) has been the focus of this effort. Accurate P&ID drawings will provide all personnel with an accurate map of the system. By installing tag numbers on all the equipment there will be no confusion operating valves to safe out a particular part of the system.

ML&P has agreed to become a 30% owner of the new Southcentral Power Plant (SPP) with the other 70% being owned by Chugach Electric Association. The planned commercial operation date for this new generation facility is fourth quarter 2012.

The **Generation Plant Operators** operate the turbines as required by the dispatch center. The operator's primary function is to monitor and respond to equipment alarms and trips. This is done on a 24 hour basis. They request assistance from the mechanical and electrical crews when major problems develop and also perform some light maintenance in the plants themselves.

The operators maintain regulatory logs and reports required by the Federal Energy Regulatory Commission (FERC) and Energy Information Administration (EIA).

The operators coordinate lock out/tag out safety procedures in the plant when equipment is taken out of service for maintenance.

One operator is designated to take care of demineralized water production for the boilers. Demineralized water is required to prevent deposits from building up inside the boiler tubes which would reduce their thermal efficiency.

The **Heavy Mechanical** crew performs overhauls and major maintenance of power production equipment. This experienced crew is trained to disassemble large industrial turbines, evaluate their condition and make necessary repairs. They also coordinate with Original Equipment Manufacturers on specialized repairs and acquisition of new parts. The crew also looks for new advancements in technology which can improve reliability and efficiency as obsolete equipment fails.

The **Electric/Electronic** section provides maintenance and installation of all instrumentation, which includes generation control and protective systems, supervisory control and data acquisition systems (SCADA), general plant electrical systems, and other related plant and construction work. The crew looks for new advancements in technology which can improve reliability and efficiency as obsolete equipment fails.

The **Eklutna** hydroelectric plant is managed by a ML&P Superintendent but operated by a CEA Operator. Maintenance is provided by the ML&P Heavy Mechanical & Electrical/Electronic crews. Light maintenance is performed by the CEA operator under the direction of the ML&P Superintendent. Plant electrical production and costs are shared between ML&P, CEA, and MEA (Matanuska Electric Association) based on a predetermined percentage of ownership.

The **Power Management** section performs studies and analysis to determine the optimal operation of ML&P's Generation and Hydroelectric resources and conducts a variety of power pooling and marketing studies to identify power sales opportunities between ML&P and other Railbelt utilities.

In addition, this section works with contracted software support consultants to implement new data bases and economic dispatch programs and produces many of the analyses ML&P relies on for strategic decisions related to power sales contracts, economic dispatch, and ML&P generation investment options. This section provides for operating guidelines and technical review, failure analysis, and system modeling. The three major functions of the Power Management section are as follows:

Power Dispatch is responsible for the safe and efficient control and dispatch of ML&P's interconnected electrical system, including the Eklutna Hydroelectric Project and the southern portion of the Alaskan Intertie. This section is responsible for continuous coordination with other utilities in the Railbelt to provide for system reliability and to pursue opportunities for power sales and purchases. In addition, this section responds to emergencies or unscheduled outages on the Interconnected System, ML&P Transmission System, and/or ML&P Power Plants and directs outage restoration procedures.

Distribution Dispatch operates the ML&P distribution system in a safe and reliable manner, responds to distribution system emergencies and unscheduled outages, directs restoration procedures to restore service as soon as practicable, and directs switching and tagging of scheduled maintenance, new services, and system improvements. This section also maintains ML&P's official record on the status of the distribution system as currently connected and produces Outage Reports.

Gas Control works closely with the power dispatcher to establish daily gas requirements and nominates those requirements to gas field operators and pipeline transmission/distribution operators using day-ahead nomination procedures. Monitors daily natural gas usage to develop trends, forecasting models and reports.

The **Administrative** section is responsible for daily operation of the generation division's files, records, and budgetary tasks. One of these primary tasks is budget tracking and coordination with the finance division on expenditures. Capital and expense budget costs are controlled by this section. They also compile end-of-month reports on fuel usage and power generated from the plants, as required by ML&P accounting, FERC, and EIA. The administrative section also sends these reports to the necessary agencies.

The **Generation Warehouse** section maintains an inventory of critical spare parts for the generation division. Because Alaska is a remote location delays in getting materials could cause extended outage for ML&P customers. There is also an economic advantage to purchasing parts that have a long lead time; a 25% savings on parts that can cost several million dollars can be realized by doing this.

The warehouse personnel are experienced electricians and mechanics who know the ML&P systems well. They engineer design changes to the system when obsolete parts cannot be found by specifying requirements for new replacement parts. Different parts are required in different types of service. The service is defined by the product. Examples of the products are liquid fuel, natural gas, high pressure steam, condensate, hydraulic fluid, lube oil, glycol, hydrogen, etc. The operating temperature and operating pressure of these products requires that different design requirements be specified for each system.

ML&P is working to standardize the various systems and simplify the process of acquiring new parts. This will also improve safety in the plant. This can be done in conjunction with the P&ID work and the building of specifications for the systems.

Objectives and Tasks

- Minimize customer outages
- Provide low cost power
- Provide electrical generation with the utmost reliability and efficiency
- Implement system improvements to replace obsolete parts, improve reliability and efficiency
- Representation on various state and national operating committees as required
- Address Occupational Safety and Health Act (OSHA) matters; implement Environmental Protection Agency (EPA) initiatives and all other related regulatory and training requirements
- Represent ML&P on inter-utility committees and subcommittees, including the Intertie Operating Committee and the Alaska Coordinating Council/Railbelt Coordinating Committee
- Provide Dispatch Center support 24 hours a day, 365 days a year under normal and emergency conditions
- Perform studies and analysis to determine the optimal integration of ML&P's generation and hydrothermal resources
- Act as Southern Operator of the Alaska Intertie
- Direct and control all of ML&P's switching and tagging operations
- Negotiate, schedule, and control wholesale power sale transactions
- Manage the comprehensive Dispatcher Training Program
- Direct restoration of service to customers following outages

- Dispatch and control ML&P Generation and the Eklutna Project and schedule ML&P Bradley Lake energy and capacity
- Produce analysis related to power sales, system operation, economic dispatch, and generation investment decisions
- Assist in the planning and installation of the improved SCADA and Energy Management System (EMS)
- Ensure the ability of the Dispatch Center to survive and function during and after disasters
- Conduct ongoing training for employees and implement a new simulator training program for Plant 2 operators

Engineering Division

The Engineering Division is responsible for the planning, budgeting, design, coordination, and construction of transmission and distribution facilities that are required to provide consumers with safe and reliable electrical power.

The **Engineering Support and GIS** section is responsible for ML&P's GIS (Geographic Information System), rights-of-way acquisition of easements/permits/lands and record keeping, land surveying and project staking, underground locates, support, administration, and development of AUD (Autodesk utility design) encompassing ML&P's electronic Engineering design workflow. The Section is also responsible for the continuing property/facility records, CAD drafting, mapping, and the professional services contract administration as related to these responsibilities.

Additionally this section is also responsible to provide and develop tools to maintain the GIS, streamline Engineering business processes using workflows and technology to increase efficiency and maintain the integrity and accuracy of ML&P's design and asset data.

The **Station Design, System Protection and System Planning** section prepares complete substation and switchyard design packages, implements all the distribution and transmission system protection, purchases substation equipment, prepares specifications, contract documents, and procures construction contracts.

Also the section conducts distribution system normal study and transmission system load flow studies, prepare substation construction standards, provides technical support to other sections and divisions for system upgrades. Additionally this Section performs distribution system fault analyses, protective devices coordination, and manages the procurement of annual distribution transformer.

It also coordinates with other intertie utilities for transmission protection and transmission lines improvement.

The **System Planning** section conducts transmission and distribution load flow studies, prepares construction standards, provides technical support to other sections and divisions for system upgrades and modifications, prepares planning studies, performs distribution system fault and failure analyses, manages the annual distribution transformer order including procurement, purchase and evaluation.

The **System Protection** section performs relaying protection and coordination of all distribution and transmission systems and interfaces with other intertie utilities.

The **Transmission/Distribution Line Design and Customer Engineering** section is responsible for the design of major system improvements, relocations, undergrounding, and line extensions of the transmission and distribution systems; it also provides engineering services to new customers, including new service line extension design, minor customer service, and non-ML&P construction project reviews. In addition they also perform NESC safety compliance assessments, update material specifications and construction methods, develop standards and maintenance methods, evaluate material bids, prepare and administer the “unit price” construction contract and other project construction contracts, and do other special projects.

Objectives and Tasks

- Responsive design of new customer services
- Design, construct, contract for, and manage substations, plant switchyards, system protection, and sectionalizing plans
- Maintain continuing property records and system maps utilizing the GIS system and other interfacing financial programs
- Investigation of customer service complaints and power quality issues
- Investigation of system safety concerns
- Research and integration of technological advances into the existing system
- Analysis of ML&P’s power system and intertie system operation
- Perform class load research, voltage profiles, and contingency studies
- Development of required capital improvement plans and projects/budgets, as well as the engineering design and management of projects
- Development of special studies, including failure analysis reports
- Representation on both internal and external technical committees and other external utility/business committees as required
- Coordination with other governmental entities and utilities for use of right-of-way and location or relocation of underground plant
- Acquires easements necessary for both transmission and distribution plant
- Provide technical support necessary to comply with all applicable environmental laws and regulations while integrating environmental risks, costs, and impacts in the decision-making process
- Implementation, input and maintenance of ML&P’s Geographic Information System

Operations Division

The Operations Division oversees the construction, maintenance, and operation of the transmission and distribution systems, administration of contracts and contractors, facility maintenance, fleet and equipment maintenance, and warehousing of required material.

The **Line** section is responsible for the construction and maintenance of the transmission and distribution systems. This section also provides cut in/cut out assistance for the Customer Service Division and switching services as directed by the Generation and Power Management Division.

The **Technical Services** section provides services associated with electrical metering and substation maintenance including installation, calibration and testing of circuit breakers, relays, meters, transformers and SCADA equipment.

The **Fleet Services** section provides pre-purchase technical specifications, preventative and nonscheduled maintenance of all utility rolling stock, miscellaneous equipment, and hot line tools.

The **Electrical Services** section provides testing, repairs and tracking of transformers, facility maintenance and associated contract administration, as well as management of ML&P's PCB/Hazardous materials testing and disposal program.

The **Warehouse** section is responsible for receipt, storage and issuance of construction and maintenance material for Engineering and Operations. They also provide support to other divisions in processing purchase requisitions, including change orders and receiving goods.

The **Radio Shop** section is responsible to support process control and internal communications for all ML&P divisions. They work closely with MOA general government communications shop to provide adequate and interoperable two-way radio communications for ML&P and fulfill service contracts in support of wireless communications for Municipal Enterprise Activities (AWWU, SWS, and Port of Anchorage).

Objectives and Tasks

- Improve reliability and reduce service interruptions through ongoing inspection and preventative maintenance programs
- Maintain the pilot wire system
- Annually inspect and maintain ML&P's Central Business District (CBD) vault-duct system
- Maintain right-of-way clearing and maintenance program
- Provide SCADA support services
- Annual inspection of distribution system and scheduling of routine maintenance
- Preventative maintenance of substations and 115KV switch yards
- Continue comprehensive meter audit programs
- Continue system inspection programs using infrared and x-ray technologies
- Provide reliable fleet service and vehicle maintenance by performing annual vehicle safety inspections
- Provide improved street lighting by continuing the upgrade of older street lighting systems
- Provide efficient system construction
- Refine ML&P's Comprehensive Construction and Scheduling Program
- Annually monitor and evaluate unit price contracts and expedite bid programs
- Provide an effective, reliable construction feedback and tracking system
- Provide utility wide cost effective facility management by conducting annual heating and cooling systems inspections and on-going building maintenance inspections
- Identify and initiate the replacement of failing meters and equipment
- Evaluate new technologies and alternatives for meter service
- Conduct power theft investigations and gather evidence for collection efforts
- Inspect customer's premises for defective equipment which can cause high bills
- Direct PCB testing, removal, and disposal
- Maintain a real-time microwave communications backbone
- Maintain internal physical security devices and closed circuit TV monitoring network
- Develop, implement, configure and maintain service area Fiber Optics system networking capabilities
- Provide cost-effective reimbursable radio installation and repair service to client entities
- Provide communications and technology applications during emergencies
- Perform annual inspections and maintenance of all subscriber radios and base stations

Finance Division

The Finance Division provides financial management and analysis of reports and budgets to ML&P's staff and Advisory Commission, the Administration, Assembly and regulatory agencies.

The **Accounting** section is responsible for financial analyses and reporting in the manner prescribed by the Federal Energy Regulatory Commission, Regulatory Commission of Alaska (RCA), and Generally Accepted Accounting Principles (GAAP). The Accounting section is also responsible for developing and maintaining the utility continuing property records (CPR) and providing accounts payable services.

The **Budgeting** section is responsible for financial forecasting, financial modeling, bond sale support, yearly operating and Capital Improvement Plan budget submissions, developing budgeting standards, ensuring budget compliance, and providing other situational fiscal analysis as required.

The **Payroll** section is responsible for collection and submission of employee time sheets for accurate payroll processing to meet bi-weekly payroll requirements; preparation of monthly health and welfare and pension and benefits reporting in compliance with collective bargaining agreements.

Objectives and Tasks

- Provide accurate and timely financial and accounting information on a monthly basis
- Prepare reports necessary to meet internal and external reporting requirements
- Develop and analyze reports to convert financial data into meaningful management information
- Provide financial training on new or changing accounting pronouncements
- Assist and respond to the annual external audit and other internal audits
- Prepare and publish the audited financial statements
- Prepare the Form 1 report and file with the RCA
- Provide Regulatory Affairs with financial data to develop Revenue Requirement, Cost of Service and other regulatory filings, provide testimony and testify before the RCA
- Upgrade depreciation reserve segment of CPR for potential changes in depreciation policies
- Produce the annual business plans, operating budgets, and capital budgets
- Develop and implement long-range financial forecasts and reports
- Review capital work order set-up information for accuracy and completeness
- Provide budget analyses throughout the year for the Advisory Commission
- Provide historic and prospective budget data for requesting entities
- Provide state and federal agencies with detailed budget and accounting information as necessary
- Advise management on financial issues facing the utility
- Provide guidelines to management on attaining Equity Management Plan objectives
- Coordination with Human Resources on all IBEW hire/rehire orientations and employee/payroll matters

Regulatory Affairs Division

The Regulatory Affairs Division is responsible for regulatory matters, long-range resource planning, operation of ML&P's interest in the Beluga River Unit (BRU) gas field, Federal and State environmental regulatory compliance, and pursuit of initiatives necessary to support the utility's financial health and competitive position.

The **Administrative** section is responsible for long-range planning, including the preparation of integrated resource plans, three-year electric system reports, gas and electric load forecasts,

and coordination with other utility and State agencies regarding system-wide and Railbelt planning initiatives. Additionally, the section plays a major role in providing information and support to ML&P's Advisory Commission.

The **Rates and Tariffs** section is responsible for compliance with the Alaska Public Utilities Commission Act, as amended, and associated law. The fundamental function of this section is to maintain ML&P's tariff and special contracts under which the utility does business with the public. This includes activities such as tariff revisions, COPA filings, rate studies, and participation in all regulatory proceedings affecting ML&P's ability to perform its mission. This section also performs economic modeling and pricing, assists in negotiating power contracts, and engages in financial analyses for ML&P management.

The **Beluga Gas Field** section is responsible for meeting accounting and tax compliance requirements as well as insuring compliance with the BRU Joint Operating Agreement and Gas Balancing Agreement. This section is also responsible for acquisition of supplemental gas supplies, either through new source contracts, exchange agreements, or capital improvement efforts intended to increase/maintain field production, gas storage, or import of fuel resources from regions other than Cook Inlet.

The **Environmental** section is responsible for protecting the public's health by preventing hazardous materials releases by ML&P and maintaining compliance with operating permits and applicable environmental regulations.

Objectives and Tasks

- Manage ML&P's regulatory proceedings
- Develop revenue requirement and cost of service studies.
- Conduct customer class load research in support of cost allocations
- Revise tariffs as required.
- Monitor federal and state regulatory proceedings and provide timely response to developments as they occur in those proceedings.
- Maintain a constructive relationship with regulatory agencies in order to achieve ML&P's goals in the regulatory arena
- Effectively represent ML&P's position to state and federal legislators and the RCA
- Assist with representation of ML&P's legislative agenda before the Alaska State Legislature and Congress
- Maintain constructive relationship with BRU partners, Conoco Phillips and Chevron Texaco to ensure efficient operations of the gas field
- Administer hazardous chemicals control programs and contaminated ground water treatment programs
- Conduct permit negotiations with State and Federal environmental agencies
- Manage Engineer of Record contract
- Manage fuel supply contracts
- Maintain gas fund accounts

Customer Service Division

The Customer Service Division provides a full line of customer services for ML&P's electric customers.

The **Customer Service** section is responsible for any customer contact necessary to establish, maintain, and terminate electrical service and landlord contracts. This section explains rates and tariff applications as required, responds to residential and commercial service requests and

bill inquiries, and processes cash receipts, while maintaining security of customer records. Customer Service is the focus for customer contact in the utility.

The **Credit and Collections** section is a primary function of the Division as it is responsible for negotiating payment schedules in accordance with ML&P's tariff, Alaska Statutes, and accepted Fair Credit Act practices, as well as providing anti-identity theft measures demanded by Federal statutes and practices. This section is also responsible for maintaining a low percentage of write-offs, coordinating all customer refunds and reviews, as well as preparation of accounts for legal referral.

Billing, another key function of the Division, receives the read data collected by the meter readers and processes, records, and renders billing statements to clearly inform the customer of their energy consumption.

The **Meter Reading** section is responsible for accurate and timely scheduled monthly meter reads, timely reads on customer connects and disconnects and delinquent door hanger notices. This section also investigates customer energy usage patterns, high bill complaints, customer equipment access issues and power theft incidents.

Objectives and Tasks

- Create and maintain superior levels of customer satisfaction
- Respond to customer inquiries, including telephonic, e-commerce, and in-person contact, in the most efficient and timely way practical
- Provide accurate customer records, review and monitor updates to the tariff as business needs indicate
- Analyze billing functions for opportunities to improve the efficiency and quality of customer billing services
- Maintain a high collection index utilizing both internal and external resources
- Assign account representatives to key accounts for continued superior service
- Maintain statistical records of employee and Division performance standards
- Develop and maintain a well trained and highly energized work force, capable of meeting all customer demands
- Perform energy use evaluations and administer energy audit contracts for customers
- Develop team performance standards to support customer service efficiency and quality
- Review policies, procedures, and tariffs for compliance and improvements
- Research, develop and implement e-commerce strategies and capabilities
- Prepare and review installment agreements with customers
- Promote and maintain the Key Accounts Program in partnership with Public Relations
- Develop and maintain customer appreciation programs that invigorate and educate our customers about energy efficiency and the possibilities of renewables
- Represent the utility as the identity of ML&P through customer contact and superior service and maintain open lines of communication between the customer and the utility
- Conduct investigations of customer premise access issues

Systems and Communication Division

The Systems and Communication Division provides internal communications, business systems installation and process control support for all ML&P Divisions and the General Manager's

office. In addition, this Division provides recommendations for communication system upgrades, improvements and replacements ensuring equipment compatibility and cost efficiency.

The **Programming** section is responsible to ensure business practices and methodologies are applied through easy to use electronic products, applications, software and/or hardware products for all employees of ML&P from their first day of employment forward. This applies to commercial off the shelf products, applications created in-house, MOA applications.

The **Network Services** section is responsible for 24/7 Business LAN connectivity and support and telephone/voicemail services to all of ML&P. Network Services is also responsible to provide an efficient and reliable means for ML&P employees to communicate both internally and externally to ML&P customers, vendors, and other outside agencies.

The **Energy Management System (EMS)** section provides configuration, maintenance and technical support for the ML&P SCADA/EMS system infrastructure and user computer consoles used to manage and control power generation, transmission and distribution systems.

The **Network Support** section supports and administrates Desktop and Network Server Hardware and Software for all ML&P divisions. The provide help desk support for ML&P computer users, provide disaster recovery planning and implementation to assure the availability of critical data, provide security and software update service for all network servers and desktop PCs.

The **Document Control and Records Management** section is responsible for establishing and maintaining utility wide document management and retrieval technologies.

Objectives and Tasks

- Maintain computer systems security to ensure data and system integrity
- Develop applications to meet ML&P business objectives
- Develop innovative, state-of-the-art alternatives for customer information and billing programs
- Manage hardware, software, and system procedures to improve operating efficiency and performance
- Provide enhancements and maintenance to operational data, wire line and wireless communication systems
- Develop and monitor long-range information system continuity plans
- Manage and maintain an efficient, cost-effective telecommunications system
- Provide advanced customer access technology
- Refine ML&P-wide document management and retrieval programs and maintain storage and retrieval system
- Maintain operating efficiency of EMS and SCADA software and hardware and provide 100 percent up-time of current redundant systems
- Assist in maintaining presence on the World Wide Web
- Provide GIS function to support Engineering and Customer Service needs
- Provide data & SCADA resources for all other divisions

Municipal Light & Power Business Plan

Mission

Provide Service with competitive, safe, reliable energy.

Business Goals

- Provide electricity on demand to ML&P customers 24 hours a day 365 days a year
- Meet the needs and expectations of our customers by providing:
 - Competitive rates and reliable service for all customer classes
 - Prompt, reliable and courteous customer assistance
 - Support and assistance to the military bases
 - Support and assistance to wholesale power customers
- Replace old turbines with more efficient, state-of-the-art turbines capable of achieving over 25% fuel savings
- Operate the electrical system with optimum economic efficiency and strict adherence to environmental standards
- Provide for the safety of both the public and our employees in the operation of the electrical system
- Recruit and retain a highly skilled, diverse workforce dedicated to serving the Anchorage community
- Improve system reliability by incorporating new components, technologies, and methods of cooperation with interconnected utilities
- Maintain competitive rates by incorporating cost cutting technologies and streamlining business processes without jeopardizing the financial and operational integrity of the utility
- Attain the financial objectives established in the Equity Management Plan
- Promote efficient use of electrical energy
- Continue to provide educational programs to school children and the community on electrical safety. Communicate factual information to customers and the public at large on issues affecting ML&P and the utility industry, including means by which the customer may undertake on their own volition measures to install cost-effective energy efficient technologies and promote energy conservation
- Foster teamwork and an integrated approach to decision-making within the utility
- Maintain equity and earn net income at a level sufficient to continue to pay annual dividends to the Municipality of Anchorage

Strategies to Achieve Goals

Affordable and competitive rates
Low employee incident rate
Low number of lost work days
Highest possible bond rating
Highest possible net income
Low customer outages and interruptions

Performance Measures to Track Progress in Achieving Goals

1. Quarterly report on Residential Service Rates in Cents per Kilowatt Hour
2. Employee Incident reporting
3. Number of Lost Work Days report
4. Monthly Bond Rating Review
5. Monthly Net Income Statements
6. Annual report on Revenue per Kilowatt Hour Sold
7. As needed performance reporting on customer interruptions and outage

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Provide service with competitive, safe, reliable energy.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

Direct services provided by divisions

- See: Customer Service, Finance, Regulatory and Systems & Communications
- See: Energy Production
- See: Engineering & Operations

Accomplishment Goals

- Affordable and competitive rates
- Safe work environment
- Safe service
- Reliable service

Performance Measures

Progress in achieving goals will be measured by:

Measure #1: Maintain competitive residential service rates as measured in cents per kilowatt hour

-	2009	2010	2011	2012	Q2-2013
Municipal Light & Power	11.89	12.57	12.60	11.22	13.00
Chugach Elec. Assoc.	15.42	13.10	14.02	14.50	15.00
Matanuska Elec. Assoc.	16.40	13.95	15.28	15.48	15.00
Homer Elec. Assoc.	19.74	17.08	20.61	18.99	19.00
Golden Valley Electric Assoc.	16.35	20.30	21.16	24.24	23.00

Note: Customer charge is \$6.56/month and energy usage is 750 kWh/month. Energy Charge effective 3/1/13 is 8.6343 cents/kWh. The Cost of Power Adjustment (COPA) effective 1/1/13 is 1.917 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0568 cents/kWh.

Measure #2: Maintain Total Recordable Incident Rates (TRIR) below industry average

2010	2011	2012	Q2-2013
5.29	4.41	2.17	1.84

Measure #3: Maintain Days Away Restricted Transferred (DART) rate below industry standard

2010	2011	2012	Q2-2013
3.11	2.2	.87	1.84

Note: Industry Average TRIR 2010 - 2012 5.2, 6.6, and 6.8, respectively.
 Industry Average DART 2010 – 2012 2.7, 3.1 and 3.3 respectively.

Customer Service, Administration, Systems and Communications Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Ensure Municipal Light and Power's (ML&P) business process requirements are efficiently and effectively conducted, while also meeting ML&P's stewardship obligations to the citizens of Anchorage.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

- Financial services that maintain and protect the financial integrity of the utility
- Service all residential and commercial customer account needs
- Support utility wide communications and technical/business application needs of the utility

Accomplishment Goals

- Accurate and timely reporting of financial data
- Maintain sound key financial ratios
- Maintain optional business systems uptime
- Accurate and timely meter reading and customer billing

Performance Measures

Progress in achieving goals will be measured by:

Measure #4: Achieve 80% percent of bills that go out within 1 day of meter read date

2009	2010	2011	2012	Q2-2013
82%	85%	86%	88%	85%

Measure #5: Maintain positive net income

2009	2010	2011	2012	Q2-2013
\$12,024,860	\$9,470,584	\$12,396,768	\$15,261,907	\$1,025,943

Note: Cumulative net income

Measure #6: At a minimum, maintain an A bond rating
--

Standard & Poor's Rating Services				
2009	2010	2011	2012	2013
A+	A+	A+	A+	A+

Fitch Ratings				
2009	2010	2011	2012	2013
A+	A+	A+	A+	A+

Note: Rates the level of risk involved in investing in ML&P bonds; "A+" indicates the least amount of risk and is in the highest rating category.

Energy Production Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Provide a competitive, reliable energy source

Core Services

- Energy generation
- Energy distribution

Direct Services

- Produce energy to meet consumer demand
- Manage energy production to efficiently dispatch electric power

Accomplishment Goals

- Generation equipment availability
- Economical management of generation resources

Performance Measures

Progress in achieving goals will be measured by:

Measure #7: Maintain competitive residential and commercial rates as measured in revenue per kWh (kilowatt-hour) sold

Year 2012					
Comparisons reported annually (mid-Nov.) by American Public Power Association and Energy Information Agency, U.S. Dept. of Energy					
Year 2011	ML&P	CEA	MEA	HEA	GVEA
Residential	13.02	14.23	15.11	19.73	22.42
Commercial	10.11	11.99	12.72	17.72	20.77
Year 2010	ML&P	CEA	MEA	HEA	GVEA
Residential	12.95	13.27	13.81	16.78	20.22
Commercial	10.17	10.91	11.36	14.74	18.75
Year 2009	ML&P	CEA	MEA	HEA	GVEA
Residential	12.17	14.93	16.11	19.59	17.96
Commercial	9.51	12.67	14.02	17.58	16.51

Note: Year 2009 - 2011 data reported in cents.

CEA=Chugach Electric Association; MEA=Matanuska Electric Association; HEA= Homer Electric Association; GVEA = Golden Valley Electric Association.

Engineering and Operations Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Design, construct, operate and maintain generation, transmission and distribution facilities to serve anticipated electric power needs within ML&P's service area at the lowest reasonable cost.

Core Services

- Energy generation
- Energy distribution
- Customer service

Direct Services

- Design reliable and cost effective electrical systems
- Construct reliable and cost effective electrical systems in accordance with design standards
- Provide electrical system maintenance that insures continuity of a vital utility
- Maintain the Continuing Property Records (CPR) system to record equipment type and location

Accomplishment Goals

- Maintain voltages under normal conditions within plus or minus 5 percent (%) of nominal voltage
- Adhere to safety and construction standards
- Proactive preventative maintenance service
- Maintain an outage reporting database system in accordance with industry standards
- Restore power outage conditions in an expeditious and economical manner

Performance Measures

Progress in achieving goals will be measured by:

Measure #8: Maintain Customer Average Interruption Duration Index (CAIDI) below industry average

2009	2010	2011	2012	Q2-2013
1.67	1.5	.939	1.02	.86

Note: APPA's 2011 Distribution Reliability Survey provides a benchmark for CAIDI of 73.86 minutes (1.23 hours).

Measure #9: Maintain System Average Interruption Duration Index (SAIDI) below industry average

2009	2010	2011	2012	Q2-2013
.659	.762	.467	.615	.338

Note: APPA 2011 Distribution Reliability Survey provides a benchmark for SAIDI of 46.36 minutes (.773 hours).

Measure #10: Maintain System Average Interruption Frequency Index (SAIFI) below industry average

2009	2010	2011	2012	Q2-2013
.394	.508	.497	.603	.392

Note: APPA 2011 Distribution Reliability Survey provides a benchmark for SAIFI of .81 interruptions per customer.

Municipal Light & Power Highlights and Future Events

New Generation

ML&P is at a point from a life cycle perspective where it must make significant generation capital additions over the next few years. Currently, there is \$326.5 million in the capital budget for new generation to replace aging generation infrastructure. Modern generating units are much more efficient, allowing them to deliver more energy for the same amount of fuel. The goal of ML&P is to have Plant 2A new generation facilities online by second quarter 2016.

Southcentral Power Project

ML&P entered into a participation agreement with Chugach Electric Association, Inc. (CEA) on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project (SPP). The design of the plant includes three GE LM6000PF DLE combustion turbines that recover exhaust heat to produce additional electricity in a steam bottoming cycle. Three machines have been purchased by SPP with total capacity of approximately 180 MW, of which ML&P's proportionate share will be 54 MW, or 30%. ML&P's share of the cost of SPP is approximately \$117 million. SPP entered commercial operation January 31, 2013.

Rate Relief

ML&P filed a request for rate relief with the Regulatory Commission of Alaska (RCA) based on a 2011 test year revenue requirement study requesting a 9.72% permanent across-the-board rate increase to demand and energy charges. The RCA suspended the ML&P's request for permanent rate relief into docket U-13-006 for further investigation and granted a 7.78% interim and refundable increase effective March 1, 2013.

ML&P is currently seeking approval from the Regulatory Commission of Alaska for an interim and refundable rate increase of 24.32% effective fall of 2013. The presently requested rate increases are based on ML&P's 2012 test year revenue requirement which reflects a revenue deficiency of approximately \$24M. This deficiency is driven primarily by the need to recover the capital and operating costs of ML&P's 30% share of the new Southcentral Power Plant, which entered commercial service on January 31, 2013. ML&P proposes to recover its revenue deficiency on a permanent basis through an increase in the demand and energy charges for all customer classes of 31.52%.

ML&P will require frequent, significant rate increases during the next three-four years to support the large capital improvement program which it is now implementing.

Dividend and Gross Receipts Payments

The dividend consists of a revenue distribution to general government of 5 percent of the utility's gross revenues (excluding restricted revenues) and a gross receipts payment considered supplemental MUSA at 1.25 percent times actual gross operating revenues. The dividend is based on prior year revenues confirmed after audit.

In response to a proposal from ML&P, the Regulatory Commission of Alaska issued a bench ruling on November 7, 2005, removing their restriction on dividend and dividend-like payments, thereby reinstating ML&P's ability to pay dividends to its owner, the Municipality of Anchorage. From 2006 to 2012 the total dividend and gross receipts distribution is \$52.1 million, averaging \$7.4 million a year.

Municipal Light & Power External Impacts

Beginning January 1, 2006 all of ML&P's gas requirements for generation (except for purchases to meet peaking requirements) were supplied from its one-third interest in the Beluga River Unit Gas Field (BRU). While ML&P's principal source for meeting its natural gas requirements for electric power generation will continue to be met from its reserves in the BRU gas field for the foreseeable future, the BRU is a mature field whose production is declining. The BRU's current production profile now requires that ML&P acquire through purchase or exchange other sources of gas on a continuous, on-going basis in order to meet its generation needs. ML&P is currently in the process of securing both Assembly and Regulatory Commission of Alaska approval for a five plus year firm gas supply agreement.

The transfer price of gas from the Gas Division to the Electric Division is, for all practicable purposes comprised of costs necessary to produce gas, and is budgeted to increase from \$2.25/MCF in 2013 to \$2.75/MCF in 2014. Beginning in the summer of 2012 ML&P has also incurred additional costs due to fees paid to Cook Inlet Natural Gas Storage Alaska, Inc. for seasonal gas storage.

ML&P implemented a 7.78% interim and refundable rate increase on March 1, 2013 and recently requested a 24.32% rate increase. ML&P will require frequent, significant rate increases during the next three-four years to support the large capital improvement program which it is now implementing.

This page intentionally left blank.