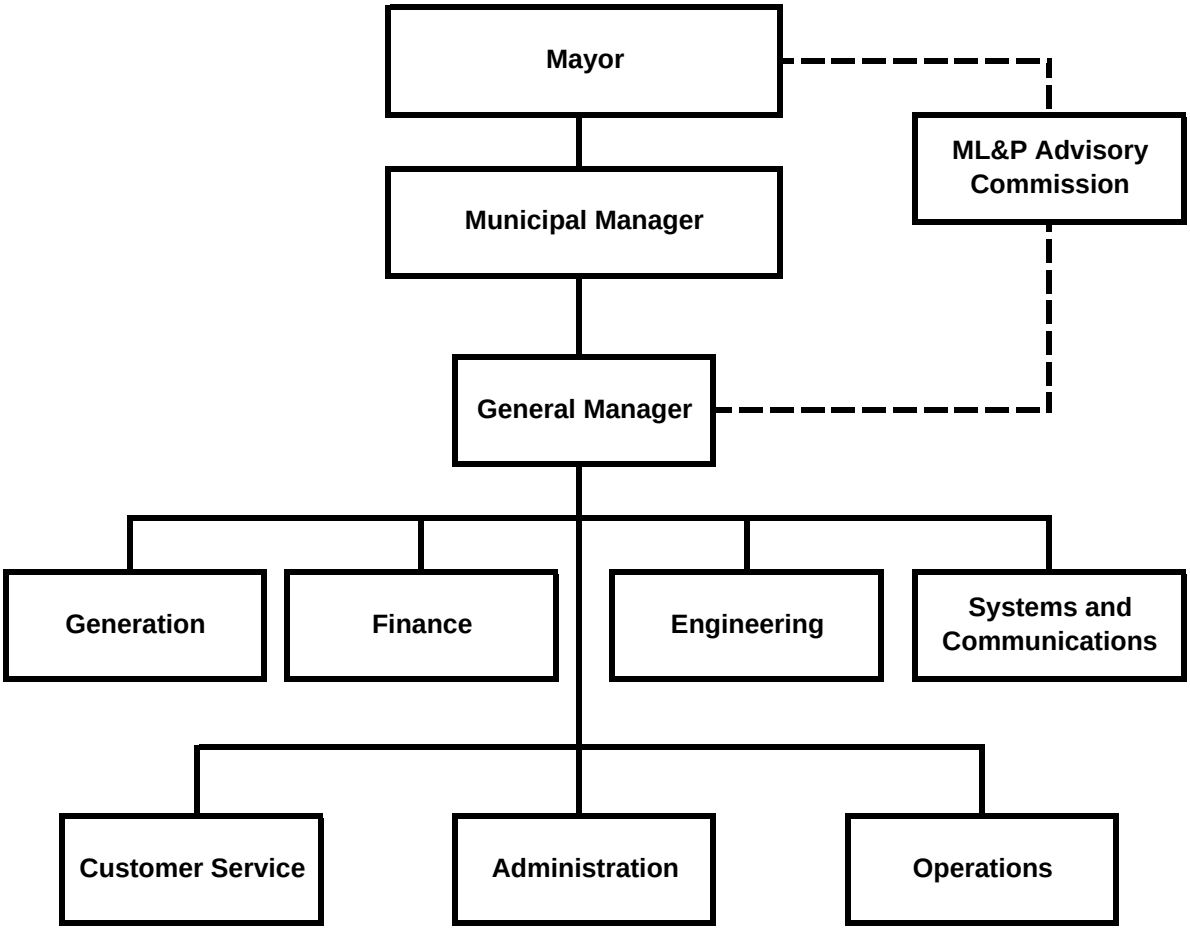
Municipal Light & Power



Municipal Light & Power
Organizational Overview

General Manager's Office
The General Manager is responsible for the overall management of Municipal Light & Power (ML&P). ML&P is functionally structured into seven operating divisions: Administration, Generation and Power Management, Engineering, Operations, Finance, Customer Service, and Systems and Communications. Each division 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.

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

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%. ML&P is a 30% owner of the Southcentral Power Plant (SPP), with the other 70% owned by Chugach Electric Association (CEA). This 183-megawatt (MW) natural-gas fired, combined-cycle plant went into service January 31, 2013.

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

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.

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 **Eklutna** hydroelectric plant is managed by a ML&P Superintendent but operated by a CEA Operator. Plant electrical production and costs are shared between ML&P, CEA, and Matanuska Electric Association (MEA) based on a predetermined percentage of ownership.

The **Generation Warehouse** section maintains an inventory of critical spare parts for the generation division. There is also an economic advantage to purchasing parts that have a long

lead time; a 25% savings on parts (which can cost several million dollars) can be realized by doing this.

The **Power Management** section performs studies and analyses 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. 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 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.

The **Gas Controller** works closely with Power Dispatch to establish daily gas requirements and nominates those requirements to gas field operators and pipeline transmission/distribution operators using day-ahead nomination procedures. The Gas Controller monitors daily natural gas usage to develop trends, forecasting models, and reports.

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

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, conducts transmission and distribution load flow studies, performs distribution system fault and failure analyses, purchases substation equipment, and is responsible for the annual transformer distribution order, prepares specifications and contract documents, and procures construction contracts.

Additionally conducts distribution system normal studies and transmission system load flow studies, prepares substation construction standards and provides technical support to other

sections and divisions for system upgrades; performs distribution system fault analyses, protective devices coordination and coordinates with other intertie utilities for transmission protection and transmission line improvements.

The **Transmission/Distribution Line Design and Customer Engineering** sections are responsible for the design of major system improvements, relocations, undergrounding, and line extensions of the transmission and distribution systems. These sections also provides engineering services to new customers, including new service line extension design, minor customer service, and non-ML&P construction project reviews. They perform NESC safety compliance assessments, update material specifications, prepare new and update construction standards 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. They coordinate with other Municipal departments, governmental agencies, community organizations and other utilities.

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, preventive 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).

Finance Division
The Finance Division provides financial management, financial reporting, budgeting and analysis of reports and budgets to ML&P's staff and Advisory Commission, the Municipal

Administration, Assembly and regulatory agencies. The Finance Division is responsible for regulatory matters, long-range resource planning, forecasts, financial support for ML&P's interest in the Beluga River Unit (BRU) gas field, and pursuit of initiatives necessary to support the utility's financial health and competitive position.

The **Accounting** section is responsible for general and plant accounting, and financial reporting according to regulatory requirements and Generally Accepted Accounting Principles (GAAP). The Accounting section is also responsible for meeting accounting and tax compliance requirement for ML&P's gas field operations.

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 and preparation of monthly health, welfare, pension and benefits reporting in compliance with collective bargaining agreements.

The **Regulatory Affairs** section is responsible for participation in all regulatory proceedings affecting ML&P's ability to perform its mission, maintenance of ML&P's tariff, special contracts, COPA filings, rate studies and oversight of ML&P's interest in the BRU.

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 section 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.

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, and MOA applications.

The **Network Services Section** is responsible for 24/7 Business LAN connectivity and support, server 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 **IT Support Section** supports and administrates the desktop PCs for all ML&P divisions. They 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 desktop PCs.

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

Municipal Light & Power
Business Plan

Mission
Provide Service with competitive, safe, reliable energy.

Services
Municipal Light and Power's service area is roughly 20-square-miles and includes commercial, university and medical customers in the Downtown and Midtown business districts, as well as industrial loads in the Ship Creek and port areas. ML&P serves Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities. The utility has a one-third working interest in the Beluga River Unit gas field, making it one of the only vertically integrated natural-gas-fired utilities on the West Coast. ML&P is subject to regulation by the Regulatory Commission of Alaska.

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. Maintain competitive residential service rates as measured in cents per kilowatt hour
2. Maintain Total Recordable Incident Rates (TRIR) below industry average
3. Maintain Days Away Restricted Transferred (DART) rate below industry standard
4. Achieve 80% of bills that go out within 1day of meter read date
5. Maintain positive Income Before Dividend
6. At a minimum, maintain an A bond rating
7. Maintain competitive residential and commercial rates as measured in revenue per kilowatt-hour (kWh) sold
8. Maintain Customer Average Interruption Duration Index (CAIDI) below industry average
9. Maintain System Average Interruption Duration Index (SAIDI) below industry average
10. Maintain System Average Interruption Frequency Index (SAIFI) below industry average
11. Manage workers' compensation claims

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 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

	2011	2012	2013	2014	Q2-2015
Municipal Light & Power	12.60	11.22	12.92	15.69	16.05
Chugach Elec. Assoc.	14.02	14.51	14.30	15.94	17.47
Matanuska Elec. Assoc.	15.28	15.48	15.29	16.90	19.31
Homer Elec. Assoc.	20.52	18.99	19.84	23.26	24.80
Golden Valley Electric Assoc.	21.16	24.25	22.54	22.60	20.48

Note: Customer charge is $6.56/month and energy usage is 750 kWh/month. Energy Charge effective 10/24/13 is 10.734 cents/kWh. The Cost of Power Adjustment (COPA) effective 4/1/15 is 4.362 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0754 cents/kWh.

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

2011	2012	2013	2014	2Q-2015
4.41	2.17	3.29	1.41	1.91

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

2011	2012	2013	2014	2Q-2015
2.2	.87	1.41	.47	.96

Note: Industry Average TRIR 2011 - 2013 6.6, 6.8, and 4.5, respectively.

Industry Average DART 2011 – 2013 3.1, 3.3 and 3.8 respectively.

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 optimal 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

2011	2012	2013	2014	2Q-2015
86%	88%	84%	84%	87%

Measure #5: Maintain positive Income Before Dividend

2011	2012	2013	2014	2Q-2015
$12,396,768	$15,261,908	$5,820,381	$13,450,177	$3,059,564

Note: Cumulative Income Before Dividend

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

Standard & Poor's Rating Services				
2011	2012	2013	2014	2015
A+	A+	A+	A+	A+

Fitch Ratings				
2011	2012	2013	2014	2015
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.

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 2014
Comparisons reported annually (mid-Nov.) by American Public Power Association and Energy Information Agency, U.S. Dept. of Energy

Year 2013	ML&P	CEA	MEA	HEA	GVEA
Residential	13.23	14.82	15.11	20.99	22.87
Commercial	10.37	12.22	12.55	18.22	21.11

Note: Year 2010 - 2013 data reported in cents.

Year 2012	ML&P	CEA	MEA	HEA	GVEA
Residential	11.73	13.84	15.23	20.26	24.22
Commercial	8.78	11.73	12.76	17.59	22.59

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

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

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 preventive 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

2011	2012	2013	2014	2Q-2015
.939	1.02	1.38	1.21	.58

Note: APPA's 2013 Distribution Reliability Survey provides a benchmark for CAIDI of 96.47 minutes (1.61 hours).

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

2011	2012	2013	2014	2Q-2015
.467	.615	.803	.662	.208

Note: APPA 2013 Distribution Reliability Survey provides a benchmark for SAIDI of 58.49 minutes (.975 hours).

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

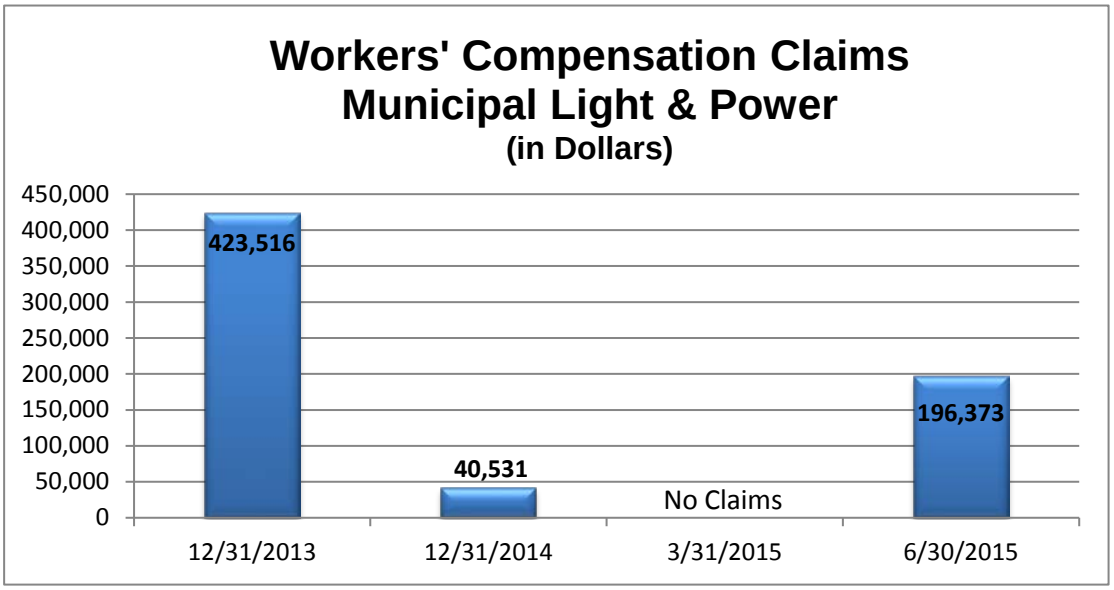
2011	2012	2013	2014	2Q-2015
.497	.603	.581	.591	.361

Note: APPA 2013 Distribution Reliability Survey provides a benchmark for SAIFI of 1.11 interruptions per customer.

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



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 $314.2 million in the project 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 new (2) LM6000 Cycle Plant (Plant 2A) adjacent to existing Plant 2 is over 50% complete and scheduled to cost just under $300 million. Once finished the plant should produce the same power for 30% less natural gas and over 90% less Nox and CO emissions. At peak construction there have been approximately 150 workers on site. The Plant will use low value "waste" heat to heat AWWU's city drinking water (15 degrees average). The goal is to have Plant 2A online by second quarter 2016.

Rate Relief
U-13-184: On September 9, 2013 ML&P filed a request with the Regulatory Commission of Alaska (RCA) to implement a two-phased rate increase to recover costs associated with its interest in the Southcentral Power Project (SPP). For Phase One, ML&P requested a 24.32% across-the-board increase to the interim rates in effect at that time. ML&P requested a 31.52% increase to the same interim rates for Phase Two, to take effect one year after Phase One was implemented. Requested Phase One rates were lower than those of Phase Two, because as part of Phase One ML&P sought to use $5.5 million from the Deferred Regulatory Liability from Gas Sales (DRLGS) fund to mitigate the rate increase's impact on its customers.

The RCA approved a 24.32% interim and refundable rate increase, effective October 24, 2013 and opened a docket. Hearing was held April 6 through 17, 2015. Prior to the hearing, ML&P and the other parties to this docket – the Attorney General, the Federal Executive Agencies, and Providence Health & Services – resolved several issues through stipulation. The RCA issued its final order on July 16, 2015 approving ML&P's requested 24.32% permanent increase to demand and energy charges. Additionally, the RCA affirmed ML&P's methodology regarding its capital structure, cost of capital analysis, and cost of service study. ML&P must recalculate rate classes' charges in its next revenue requirement study and revisit its COPA formula. The RCA ordered ML&P to discontinue forwarding dividend payments to the Municipality effective January 1, 2016. The RCA also opened two new investigatory dockets – one to investigate the appropriate use of DRLGS funds and the other to examine ML&P's tariff regarding self-generation.

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% multiplied by 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 2015 the dividend and gross receipts distribution totaled $75.7 million, averaging $7.6 million a year. As stated in the Rate Relief section above (U-13-184), the RCA ordered ML&P to discontinue forwarding dividend payments to the Municipality effective January 1, 2016.

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 successfully negotiated a six-year gas supply contract for 19.64 Bcf of gas effective in the second quarter 2014.

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. The transfer price, including the ARO surcharge is budgeted to increase from $4.812/MCF in 2015 to $6.312/MCF in 2016. 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 anticipates that it will file its next request for rate relief with the Regulatory Commission of Alaska (RCA) in August 2016. The projected rate increases reflected herein are projections for the purposes of this budget and may not reflect the actual percent rate increase ML&P will file with the RCA due to the following: 1) the rate increase projections were developed using the information that was available at the time the budget was developed, 2) the rate increase projections in this document are based on total base rates, when ML&P files its request for a rate increase the percentage increase requested will only apply to a subset of base rates (demand and energy charges only); 3) ML&P is investigating rate stabilization options that may be implemented in the next rate case.

Revenue reductions in 2019 thru 2021 that are caused by the maturity of the Beluga River Unit (BRU) bond debt in 2018. ML&P plans to request a change in the ratemaking methodology for the BRU from the current debt service coverage methodology.

Municipal Light & Power
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
Administration	12	13	13	13	13	13	13	13
Customer Service	25	25	25	25	25	25	25	25
Engineering	30	30	32	32	32	32	32	32
Finance	22	27	27	27	27	27	27	27
Generation	79	79	76	76	76	76	76	76
Operations	58	62	61	61	61	61	61	61
Regulatory	6	-	-	-	-	-	-	-
Systems & Communications	21	22	22	22	22	22	22	22
Total Full Time	**253**	**258**	**256**	**256**	**256**	**256**	**256**	**256**
Part-Time/Temporary	26	18	21	21	21	21	21	21
Total Positions	**279**	**276**	**277**	**277**	**277**	**277**	**277**	**277**
Total FTE	**268.5**	**267**	**266.5**	**266.5**	**266.5**	**266.5**	**266.5**	**266.5**

Municipal Light & Power
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	142,993	160,949	177,039	194,387	206,813	193,155	174,935	175,920
Expenses	129,543	156,999	170,839	188,294	192,304	188,961	170,800	173,060
Net Income (Loss) - Regulatory	**13,450**	**3,950**	**6,200**	**6,092**	**14,509**	**4,195**	**4,135**	**2,860**
Budgeted Positions	279	276	277	277	277	277	277	277
Capital Improvement Program	141,656	57,709	39,669	38,361	41,491	39,184	44,501	35,178
Bond Sales/ Commercial Paper	24,700	115,900	185,000	-	-	-	-	-
Net Non-Contributed Plant (12/31) (REG)	597,029	688,685	712,540	692,068	679,384	668,563	662,754	647,224
Net Contributed Plant (12/31)	95,399	91,986	97,401	97,577	101,441	100,424	98,989	96,068
Net Plant (12/31) (GAAP)	692,428	780,671	809,941	789,645	780,825	768,987	761,743	743,292
Retained Earnings (12/31)	255,504	251,639	255,933	260,003	272,730	275,514	278,531	280,569
General and Restricted Cash	107,981	111,378	112,573	117,634	124,525	137,955	117,332	95,409
Bond Construction Cash	1,215	-	-	-	-	-	-	-
Bond Redemption Investment	23,882	25,729	27,735	37,182	37,182	36,686	36,685	36,684
Debt Service Account	2,571	2,079	2,283	2,788	3,110	3,099	3,100	3,100
Operating Fund Investment & Customer Deposits	11,328	14,928	16,428	18,228	18,028	17,328	16,828	17,728
Total Cash & Investments (12/31)	**146,977**	**154,114**	**159,018**	**175,833**	**182,846**	**195,068**	**173,944**	**152,921**
IGCs - General Government	3,382	2,661	2,631	3,754	3,754	3,854	3,854	3,803
Dividend	5,822	7,052	-	-	-	-	-	-
MUSA and Gross Receipts	7,381	7,538	5,845	10,143	10,186	10,073	9,980	9,950
Total Outstanding Debt	345,795	338,355	515,890	508,370	497,720	487,067	475,922	464,288
Total Annual Debt Service	28,630	23,315	25,321	31,987	34,768	34,272	34,271	34,270
Debt Service Coverage	1.92	2.12	2.45	2.14	2.14	1.86	1.84	1.80
LT Debt/Equity Ratio	59/41	66/34	67/33	67/33	65/35	64/36	63/37	62/38
Rate Change Percent	24.32%	0.00%	24.00%	0.00%	6.00%	0.00%	0.00%	0.00%
			effective 10/1/2016					
Statistical/Performance Trends:								
Residential Customer (500 kWh)	$80.69	$83.96	$92.26	$103.70	$109.57	$102.47	$94.12	$94.99
Total Residential Sales (kWh)	133,411	134,049	134,044	134,040	134,035	134,029	134,014	134,004
Commercial & Industrial Sales (kWh)	729,978	731,564	732,134	732,705	733,276	733,848	734,421	734,993
Total Residential, Commercial and Industrial kWh Sales	863,389	865,613	866,178	866,744	867,311	867,877	868,435	868,997
Total Retail Sales Revenue	$131,295	$142,126	$157,803	$175,956	$186,768	$172,223	$153,504	$154,719

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 co

Municipal Light & Power
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Residential	21,435,044	22,460,000	24,277,000	456,000	24,733,000	1.9%
Commercial	98,470,914	103,231,000	110,108,000	4,543,000	114,651,000	4.1%
Military	13,422,166	14,688,000	15,899,000	682,000	16,581,000	4.3%
Sales for Resale	7,391,906	14,546,000	6,721,000	7,864,000	14,585,000	117.0%
Other	(812,298)	3,033,000	15,495,000	(12,472,000)	3,023,000	-80.5%
Total Operating Revenue	**139,907,732**	**157,958,000**	**172,500,000**	**1,073,000**	**173,573,000**	**0.6%**
Non Operating Revenue						
Interest Income	670,466	577,000	1,194,000	(142,000)	1,052,000	-11.9%
Other	2,414,730	2,414,000	2,416,000	(2,000)	2,414,000	-0.1%
Total Non Operating Revenue	3,085,196	2,991,000	3,610,000	(144,000)	3,466,000	-4.0%
Total Revenue	**142,992,927**	**160,949,000**	**176,110,000**	**929,000**	**177,039,000**	**0.5%**
Operating Expense						
Labor:						
Labor and Benefits	27,108,776	31,078,000	28,835,423	2,350,577	31,186,000	8.2%
Overtime	1,889,845	1,892,000	1,685,000	436,000	2,121,000	25.9%
Total Labor	28,998,621	32,970,000	30,520,423	2,786,577	33,307,000	9.1%
Non Labor:						
Material & Supplies	9,993,749	9,098,000	7,134,000	1,939,000	9,073,000	27.2%
Travel	67,644	70,000	70,000	30,000	100,000	42.9%
Natural Gas Purchases & Transportation	16,598,848	31,276,000	32,326,000	305,000	32,631,000	0.9%
Gas Production Expense	12,591,491	15,359,000	16,008,000	2,371,000	18,379,000	14.8%
Southcentral Power Project	3,397,754	3,995,000	3,995,000	160,000	4,155,000	4.0%
Purchased Power & Wheeling	5,467,545	5,791,000	5,306,000	596,000	5,902,000	11.2%
Regulatory Debit/Credit	(2,264,613)	7,000	(1,750,000)	2,048,000	298,000	-117.0%
Depreciation, Depletion & Amortization	30,700,970	30,235,000	32,136,000	5,319,000	37,455,000	16.6%
Transfers (MUSA and Gross Receipts)	7,381,413	7,538,000	7,527,017	(1,682,017)	5,845,000	-22.3%
Transfers to Gen Gov't-SAP	326,886	5,000	-	240,000	240,000	na
Total Non Labor	84,261,687	103,374,000	102,752,017	11,325,983	114,078,000	11.0%
Total Direct Costs	**113,260,308**	**136,344,000**	**133,272,440**	**14,112,560**	**147,385,000**	10.6%
Charges from Other Departments	3,381,799	2,661,000	2,660,795	(29,418)	2,631,377	-1.1%
Total Operating Expense	**116,642,107**	**139,005,000**	**135,933,235**	**14,083,142**	**150,016,377**	**10.4%**
Non Operating Expense						
Interest on Bonded Debt	13,858,048	18,289,000	19,134,000	1,136,000	20,270,000	5.9%
Other Interest Expense	989,565	1,310,000	930,000	1,391,000	2,321,000	149.6%
Allowance for Funds Used During Construction	(2,474,940)	(792,000)	(5,300,000)	4,314,000	(986,000)	-81.4%
Amortization of Debt Expense	293,978	(933,000)	(1,161,000)	242,000	(919,000)	-20.8%
Other	233,992	120,000	54,000	83,000	137,000	153.7%
Total Non Operating Expense	**12,900,643**	**17,994,000**	**13,657,000**	**7,166,000**	**20,823,000**	**52.5%**
Total Expenses (Function Cost)	**129,542,750**	**156,999,000**	**149,590,235**	**21,249,142**	**170,839,377**	**14.2%**
Net Income	**13,450,177**	**3,950,000**	**26,519,765**	**(20,320,142)**	**6,199,623**	**-76.6%**
Appropriation						
Total Expenses			**149,590,235**	**21,249,142**	**170,839,377**	
Less: Non Cash items						
Depreciation, Depletion & Amortization			32,136,000	5,319,000	37,455,000	
Regulatory Debits/Credits			(1,750,000)	2,048,000	298,000	
Allowance for Funds Used During Construction			(5,300,000)	4,314,000	(986,000)	
Amortization of Bonds			(1,161,000)	242,000	(919,000)	
Total Non Cash			23,925,000	11,923,000	35,848,000	
Amount to be Appropriated (Cash Expenses)			**$125,665,235**	**$9,326,142**	**$134,991,377**	

Municipal Light & Power
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

	Appropriation	Positions FT	PT	T
2015 Revised Budget	149,590,235	258	-	18
Transfers (to)/from Other Agencies				
- SAP	240,000	-	-	-
- Intragovernmental Charges	(29,418)	-	-	-
- MUSA and Gross Receipts	(1,682,017)			
Debt Service Changes				
- Interest Expense	2,527,000	-	-	-
Changes in Existing Programs/Funding for 2016				
- Depreciation, Depletion & Amortization	5,319,000	-	-	-
- Allowance for Funds Used During Construction	4,314,000	-	-	-
- Gas Production Expense	2,371,000	-	-	-
- Regulatory Debits/Credits	2,048,000	-	-	-
- Purchased Power & Wheeling	596,000	-	-	-
- Natural Gas Purchases and Transportation	305,000	-	-	-
- Amortization of Debt Expense	242,000	-	-	-
- Southcentral Power Project	160,000	-	-	-
2016 Continuation Level	**166,000,800**	**258**	**-**	**18**
2016 Proposed Budget Changes				
- Salary and benefit adjustment	2,786,577	(2)	-	3
- Material and Supplies	1,939,000	-	-	-
- Misc. Non-Operating Expense	83,000	-	-	-
- Travel	30,000	-	-	-
2016 Proposed Operating Budget	**170,839,377**	**256**	**-**	**21**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation, Depletion & Amortization	37,455,000	-	-	-
- Regulatory Debits/Credits	298,000	-	-	-
- Allowance for Funds Used During Construction	(986,000)	-	-	-
- Amortization of Bonds	(919,000)	-	-	-
2016 Proposed Budget (Appropriation)	**134,991,377**	**256**	**-**	**21**

Municipal Light & Power
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Beluga River Gas Field	13,700	8,700	13,700	9,400	9,400	9,400	64,300
Distribution	12,791	15,596	17,856	12,976	15,251	11,786	86,256
General Plant	3,273	2,740	1,925	2,338	2,370	2,042	14,688
Production	8,700	3,975	1,850	11,910	15,790	10,450	52,675
Transmission	1,205	7,350	6,160	2,560	1,690	1,500	20,465
Total	**39,669**	**38,361**	**41,491**	**39,184**	**44,501**	**35,178**	**238,384**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Equity/Operations	20,669	27,311	25,441	27,384	32,651	23,228	156,684
Revenue Bond/Commercial Paper	3,000	-	-	-	-	-	3,000
Contribution in Aid of Construction	2,300	2,350	2,350	2,400	2,450	2,550	14,400
Beluga Contributed	13,700	8,700	13,700	9,400	9,400	9,400	64,300
Total	**39,669**	**38,361**	**41,491**	**39,184**	**44,501**	**35,178**	**238,384**

Municipal Light & Power
2016 Capital Improvement Program
(in thousands)

Project Title	Equity/ Operations	Revenue Bond/ Commercial Paper	Contribution in Aid of Construction	Beluga Contributed	Total
Beluga River Gas Field	-	-	-	13,700	13,700
Communications	2,178	-	-	-	2,178
Distribution Equipment	1,710	-	-	-	1,710
Eklutna Power Plant	200	-	-	-	200
Land & Land Rights - Distribution	35	-	-	-	35
Land & Land Rights - Transmission	20		-	-	20
Meters	400	-	-	-	400
Misc Equipment	45	-	-	-	45
Overhead Lines	1,656	-	-	-	1,656
Plant 2A	-	3,000	-	-	3,000
Southcentral Power Project	500	-	-	-	500
Stores/Tools/Lab	340	-	-	-	340
Street Lighting	110	-	-	-	110
Structures & Improvements - General Plant	250	-	-	-	250
Structures & Improvements - Plant 1/Plant 2	900	-	-	-	900
Transformer Services	2,980	-	-	-	2,980
Transmission Lines	70	-	-	-	70
Transmission Stations	1,115	-	-	-	1,115
Transportation	460	-	-	-	460
Underground Lines	3,600	-	2,300	-	5,900
Unit 3	400	-	-	-	400
Unit 7	3,700	-	-	-	3,700
ML&P TOTAL	**$ 20,669**	**$ 3,000**	**$ 2,300**	**$ 13,700**	**$ 39,669**

Municipal Light & Power
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Income Before Dividend	13,450,177	3,950,000	6,199,623
Depreciation/Depletion/Amortization	30,700,970	30,235,000	37,455,000
Amortization of Bonds	293,978	(933,000)	(919,000)
Bond Proceeds / Commercial Paper	98,600,000	115,900,000	185,000,000
Deferred Charges and Other Assets	6,172,937	1,622,129	-
Contribution in Aid of Construction	11,012,485	6,166,000	16,807,000
Changes in Assets and Liabilities	(9,096,873)	(15,097,852)	(155,042,777)
Total Sources of Cash Funds	**151,133,674**	**141,842,277**	**89,499,846**
Uses of Cash Funds			
Additions to Plant	141,977,229	127,265,001	77,130,911
Debt Principal Payment	17,910,000	7,440,000	7,465,000
Total Uses of Cash Funds	**159,887,229**	**134,705,001**	**84,595,911**
Net Increase (Decrease) in Cash Funds	(8,753,555)	7,137,276	4,903,935
Cash Balance, January 1	155,730,658	146,977,103	154,114,379
Cash Balance, December 31	**146,977,103**	**154,114,379**	**159,018,314**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	13,872,447	14,145,624	22,604,668
Bond Cash	1,215,105	-	-
BRU Construction & Future Gas Purchases	94,108,960	97,232,087	89,968,129
Bond Investment	23,881,704	25,729,163	27,734,913
Debt Service	2,570,879	2,079,497	2,282,596
Operating Fund Investment & Customer Deposits	11,328,008	14,928,008	16,428,008
Cash Balance, December 31	**146,977,103**	**154,114,379**	**159,018,314**

About Municipal Light & Power

Organization
ML&P is functionally structured into seven operating divisions: Generation & Power Management, Engineering, Operations, Finance, Customer Service, Administration, and Systems & Communication. Each division manager reports directly to the General Manager.

As of December 31, 2014, ML&P had 237 employees and total labor and benefit costs of approximately $43.7 million, which includes operating and capital labor expenditures. Of these 237 employees, 174 were covered by a labor agreement with the IBEW and 63 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 30MW 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. It is a 3 X 1 LM6000 combined cycle project. 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 2014, the average number of residential and commercial customers was 24,429 and 6,358 respectively. In 2014, electric retail sales totaled 1,027,510 MWh resulting in revenues of $131,295,125. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were $139,907,731. 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.

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 2014 1,130,267 MWh
  - ML&P Generated 527,360 MWh 46.66%
    Southcentral Power Plant 392,146 MWh 34.70%
    Eklutna Hydroelectric Project 83,110 MWh 7.35%
  - Purchased:
    - Bradley Lake Project 127,651 MWh 11.29%
- Total Thermal Generation capacity in 2014 400.9 Megawatts (MW) at 30°F
  - Power Plant One (4 Turbines & 2 Diesels) 98.9 MW 25%
  - Power Plant Two (4 Turbines) 241.9 MW 60%
  - Southcentral Power Plant (4 Turbines) 60.1 MW (ML&P 30%) 15%
  - Seven Gas Fired Turbines (ML&P Plant 1 & 2)
  - One Heat Recovery Turbine (ML&P Plant 2)
  - Four of the seven gas fired turbines are equipped to use No. 2 fuel oil as an alternate fuel
  - Southcentral Power Plant – Three Gas Fired Turbines and one Heat Recovery Turbine
- Distribution System in 2014 376 Miles
  - Underground Cable 254 Miles 67.55%
  - Overhead Line 122 Miles 32.45 %
  - 19 Substations