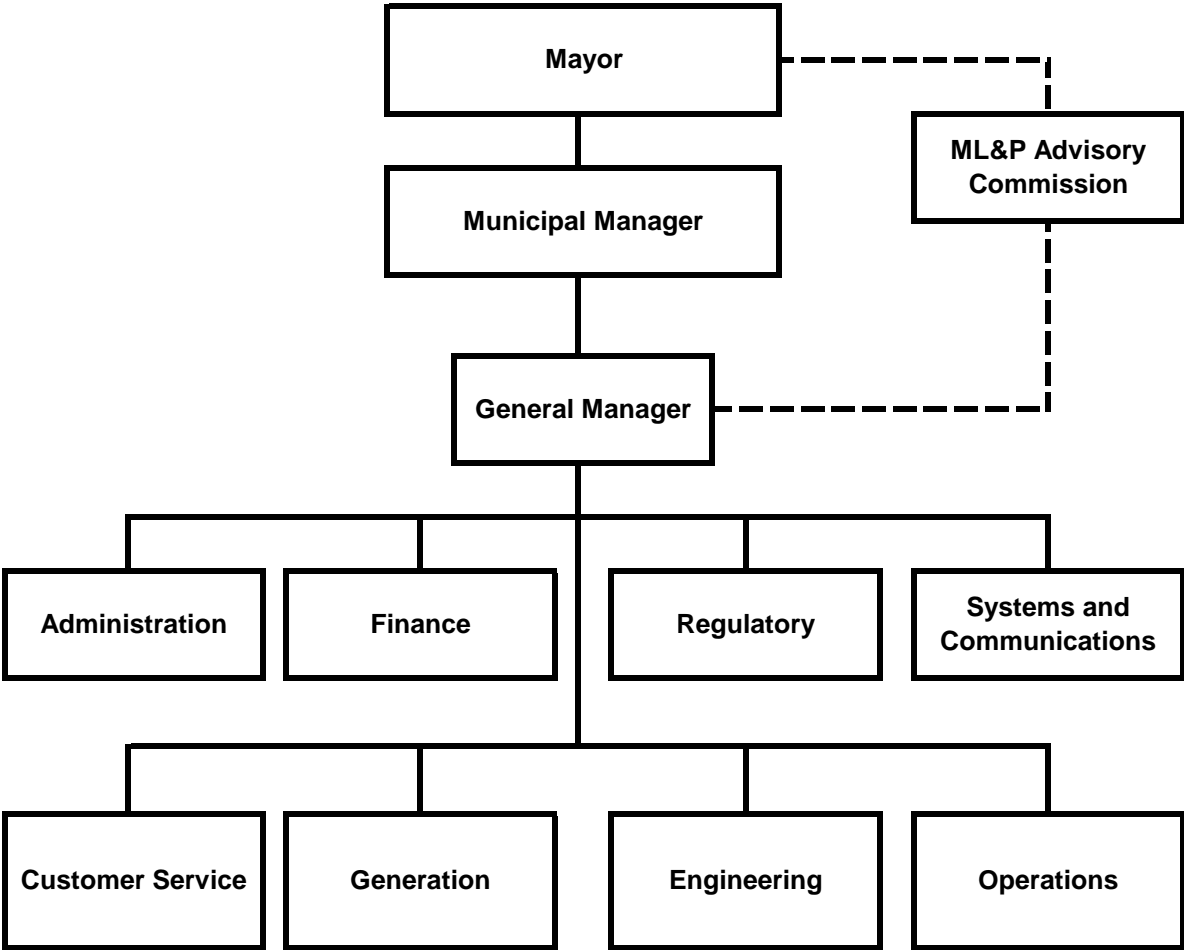


Municipal Light & Power



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 eight operating divisions: Administration, Generation and Power Management, Engineering, Operations, Finance, Customer Service, Regulatory Affairs, 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 (ML&P owns 53%), the Southcentral Power Plant (SPP) (ML&P owns 30%).

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 to the Municipal Administration, Assembly, ML&P's Advisory Commission and staff. The Finance Division is responsible for 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.

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.

Regulatory Affairs Division

The Regulatory Affairs Division 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 56.67% interest in the Beluga River Unit (BRU). The BRU, a gas field located in the Kenai Peninsula Borough, produces gas used in ML&P turbines resulting in cost saving for ML&P customers.

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. 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 energy at competitive rates that is safe and reliable.

Services

Municipal Light and Power's (ML&P) service area is roughly 20-square-miles. ML&P has approximately 31,000 residential and commercial customers. The utility provides service to the Municipality's economic drivers including: commercial, industrial (Ship Creek area and the Port of Anchorage), Universities, Major Medical Campuses, the Downtown and Midtown business districts. ML&P also serves Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities. The utility has a 56.67 percent working interest in the Beluga River Unit gas field, making it one of the only vertically integrated utilities on the West Coast. ML&P is subject to economic 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
- Maintain equity and earn net income at a level sufficient to continue to pay annual dividends to the Municipality of Anchorage
- 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 equipment and technology.
- 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
- Foster teamwork and an integrated approach to decision-making within the utility

Strategies to Achieve Goals

- Attain the financial objectives established in the Equity Management Plan
- Replace old generation with more efficient, state-of-the-art fuel efficient generation
- Implement industry best practices and streamline business processes to ensure the financial and operational integrity of the utility
- Cooperate with other Railbelt utilities to implement Economic Dispatch of generating resources
- Implement operational and financial procedures to maintain the highest bond rating
- Implement predictive maintenance program to reduce or eliminate outages and interruptions

Performance Measures to Track Progress in Achieving Goals

1. Maintain competitive residential and commercial rates as measured in revenue per kilowatt-hour (kWh) sold
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 1 day of meter read date
5. At a minimum, maintain an A bond rating
6. Maintain Customer Average Interruption Duration Index (CAIDI) below industry average
7. Maintain System Average Interruption Duration Index (SAIDI) below industry average
8. Maintain System Average Interruption Frequency Index (SAIFI) below industry average
9. 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

	2012	2013	2014	2015	Q2-2016
Municipal Light & Power	11.22	12.92	15.69	16.55	17.20
Chugach Elec. Assoc.	14.51	14.30	15.94	17.47	17.74
Matanuska Elec. Assoc.	15.48	15.29	16.90	19.88	19.33
Homer Elec. Assoc.	18.99	19.84	23.26	24.84	23.82
Golden Valley Electric Assoc.	24.25	22.54	22.60	21.77	20.01

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 4/1/16 is 5.517 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0732 cents/kWh.

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

2012	2013	2014	2015	2Q-2016
2.17	3.29	1.41	6.32	1.79

Measure #3: Maintain Days Away Restricted Transferred (DART) rate below industry standard
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2012	2013	2014	2015	2Q-2016
.87	1.41	.47	2.26	.89

Note: Industry Average TRIR 2011 - 2014 6.6, 6.8, 4.5 and 2.4 respectively.
 Industry Average DART 2011 – 2014 3.1, 3.3, 3.8 and 1.3 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

2012	2013	2014	2015	2Q-2016
88%	84%	84%	83%	86%

Measure #5: Maintain positive Income Before Dividend

2012	2013	2014	2015	2Q-2016
\$15,261,908	\$5,820,381	\$13,450,177	\$9,608,914	\$8,254,950

Note: Cumulative Income Before Dividend

Measure #6: At a minimum, maintain an A bond rating
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Standard & Poor's Rating Services				
2012	2013	2014	2015	2016
A+	A+	A+	A+	A+

Fitch Ratings				
2012	2013	2014	2015	2016
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

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

2012	2013	2014	2015	2Q-2016
1.02	1.38	1.21	1.06	1.53

Note: 2014 data compiled by EIA reported an average CAIDI of 1.26 hours.

Measure #8: Maintain System Average Interruption Duration Index (SAIDI) below industry average

2012	2013	2014	2015	2Q-2016
.615	.803	.662	.317	.322

Note: 2014 data compiled by EIA reported an average SAIDI of 1.91 hours.

Measure #9: Maintain System Average Interruption Frequency Index (SAIFI) below industry average

2012	2013	2014	2015	2Q-2016
.603	.581	.591	.237	.210

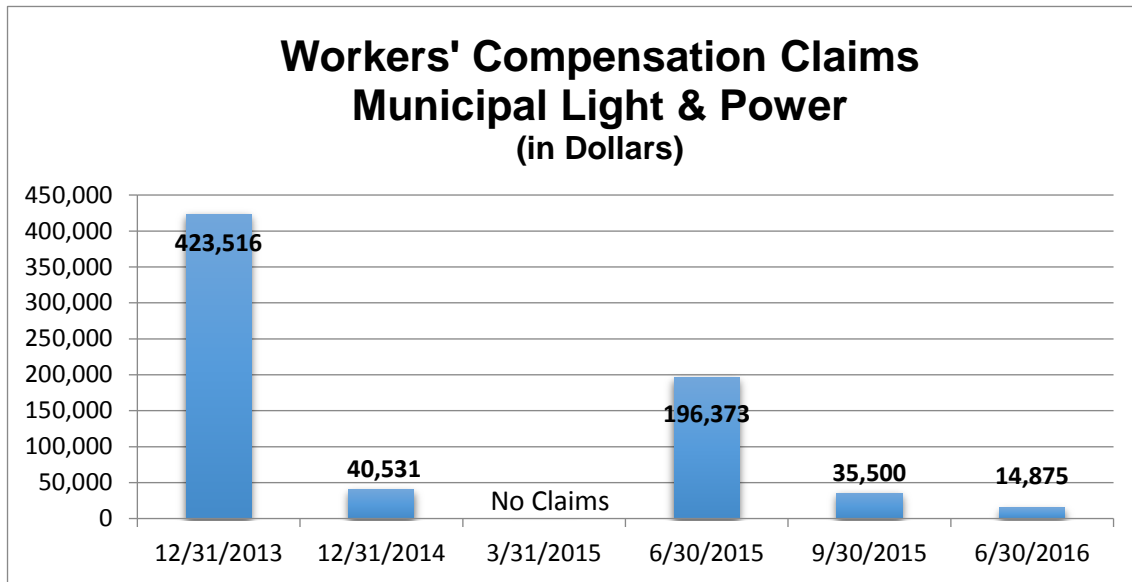
Note: 2014 data compiled by EIA reported an average SAIFI of 1.51 interruptions per customer.

EIA is the U.S. Energy Information Administration

PVR Measure WC: Managing Workers' Compensation Claims
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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 95% 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 250 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 fourth quarter 2016.

Acquisition of ConocoPhillips Alaska Incorporated’s (CPAI) interest in the Beluga River Unit (BRU) gas field

In Order U-16-012(14), dated April 22, 2016, the RCA affirmed a bench ruling the day earlier granting a joint petition filed by the Utility and Chugach Electric Association (CEA) requesting approval of a purchase and sale agreement for the acquisition of CPAI’s one-third interest in the BRU. Hearing was held on an expedited basis April 18 through 20, 2016. The total purchase price is \$152 million, with the Utility acquiring 70% of that interest for \$106.4 million and CEA the remaining 30% for \$45.6 million. The Utility funded its share of the acquisition with DRLGS and Future Natural Gas Purchases Account funds, cumulative underlift proceeds owed to it by CPAI, and unrestricted gas fund cash. This purchase gives the Utility a total 56.67% interest in the BRU, and it will seek Commission approval of accounting and ratemaking treatment for this interest.

Rate Relief

On September 9, 2013 the Utility filed a petition with the RCA, based on a 2012 test year revenue requirement study, for interim and permanent across-the-board rate increases in energy and demand charges in order to recover costs associated with its purchase of a 30% interest in SPP. The Utility requested that the rate increase be implemented in two phases, with a 24.32% interim and refundable increase to take effect within 45 days of filing and the second to take effect one year after approval of the permanent rates, for a total increase of 31.52%. The RCA granted the Utility an interim and refundable rate increase and suspended the Utility’s request into docket U-13-184 for further investigation. A hearing was held April 6 through 17, 2015. The RCA issued Order U-13-184(22) on July 16, 2015 establishing the Utility’s revenue requirement, setting the 24.32% interim rates as the permanent rates, and ordering the Utility to cease paying dividends to the Municipality.

The Utility plans to file its next revenue requirement with the RCA during the fourth quarter of 2016 requesting interim and permanent rate relief based on a 2015 test 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). On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was \$152 million. The utility now owns 56.67 percent of the field.

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 \$5.14/MCF in 2016 to \$6.74/MCF in 2017. 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) fourth quarter 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 and 2) 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	2015	2016*	2017	2018	2019	2020	2021	2022
Administration	13	12**	13	13	13	13	13	13
Customer Service	25	25	25	25	25	25	25	25
Engineering	30	32	32	32	32	32	32	32
Finance	27	27	20	20	20	20	20	20
Generation	79	76	80	80	80	80	80	80
Operations	62	61	62	62	62	62	62	62
Regulatory *	-	-	5	5	5	5	5	5
Systems & Communications	22	22	25	25	25	25	25	25
Total Full Time	258	255	262	262	262	262	262	262
Part-Time/Temporary	18	22**	19	19	19	19	19	19
Total Positions	276	277	281	281	281	281	281	281
Total FTE	267	266.5	271.5	271.5	271.5	271.5	271.5	271.5

* In March 2016 MOA Administration approved an ML&P organizational change to form a Regulatory Affairs Division with five Finance FTE's.

**Per AO 2015-107 (S), Assemblymember Flynn amendment, PCN 6600 reduced to 0.5 FTE (PT).

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

Financial Overview	2015 Actuals*	2016 Proforma	2017 Proposed	2018	2019	2020	2021	2022
				Forecast				
Revenues	166,940	173,549	193,856	214,283	209,751	173,655	157,120	160,501
Expenses	157,331	156,458	178,876	194,862	201,426	167,012	151,313	156,341
Net Income (Loss) - Regulatory	9,609	17,091	14,980	19,421	8,325	6,643	5,807	4,160
Budgeted Positions	276	277	281	281	281	281	281	281
Capital Improvement Program	57,709	39,759	42,764	36,607	54,006	32,050	44,094	31,447
Bond Sales/ Commercial Paper	89,600	62,574	192,000	-	-	-	-	-
Net Non-Contributed Plant (12/31) (REG)	667,154	734,488	732,210	731,219	736,973	730,363	725,717	717,536
Net Contributed Plant (12/31)	92,026	181,127	187,121	187,500	195,356	191,806	194,108	185,492
Net Plant (12/31) (GAAP)	759,179	915,615	919,331	918,719	932,330	922,169	919,824	903,028
Retained Earnings (12/31)	248,773	265,243	279,786	299,207	307,532	314,175	319,982	324,142
General and Restricted Cash	125,294	53,915	45,780	62,357	65,361	76,704	55,170	48,133
Bond Construction Cash	(2,977)	-	-	-	-	-	-	-
Bond Redemption Investment	23,206	23,002	38,167	38,173	31,830	31,828	31,821	31,823
Debt Service Account	2,121	2,095	2,831	2,873	2,803	2,801	2,801	2,800
Operating Fund Investment & Customer Deposits	13,746	15,796	18,396	18,296	17,896	14,496	14,596	14,796
Total Cash & Investments (12/31)	161,390	94,808	105,174	121,700	117,890	125,830	104,388	97,552
IGCs - General Government	2,346	2,631	3,453	4,253	4,253	4,253	4,253	4,253
Dividend	7,029	-	-	-	-	-	-	-
MUSA and Gross Receipts	7,538	5,984	10,520	10,572	10,617	10,757	10,717	10,701
Total Outstanding Debt	338,355	330,890	515,370	507,505	499,775	491,700	483,290	474,530
Total Annual Debt Service	23,308	23,023	29,930	32,327	31,831	31,830	31,828	31,821
Debt Service Coverage	2.28	2.28	2.34	2.30	1.99	1.97	1.95	1.90
LT Debt/Equity Ratio	65/35	66/34	65/35	63/37	62/38	61/39	61/39	60/40
Rate Change Percent	0.00%	0.00%	28.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Statistical/Performance Trends:								
Residential Customer (500 kWh)	\$83.60	\$87.05	\$108.86	\$120.07	\$117.66	\$99.72	\$91.32	\$93.10
Total Residential Sales (kWh)	130,805	130,801	130,796	130,792	130,786	130,771	130,761	130,750
Commercial & Industrial Sales (kWh)	722,421	715,906	719,165	719,705	720,242	720,789	721,327	721,865
Total Residential, Commercial and Industrial kWh Sales	853,226	846,707	849,961	850,496	851,028	851,560	852,089	852,616
Total Retail Sales Revenue	\$141,019	\$149,730	\$182,005	\$202,611	197,782	\$161,486	\$144,486	\$148,143

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.

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

2017 Proposed Utility/Enterprise Activities Budgets
Municipal Light & Power
Statement of Revenues and Expenses

	2015 Actuals*	2016 Proforma	2016 Approved	17 v 16 \$ Change	2017 Proposed	17 v 16 % Change
Operating Revenue						
Residential	21,972,135	22,754,000	24,733,000	3,745,000	28,478,000	15.1%
Commercial	102,566,471	107,488,000	114,651,000	17,962,000	132,613,000	15.7%
Military	14,525,488	15,362,000	16,581,000	2,311,000	18,892,000	13.9%
Sales for Resale	21,890,648	18,258,000	14,585,000	(14,585,000)	-	-100.0%
Other	3,181,925	5,197,000	3,023,000	6,983,000	10,006,000	231.0%
Total Operating Revenue	164,136,667	169,059,000	173,573,000	16,416,000	189,989,000	9.5%
Non Operating Revenue						
Interest Income	382,388	2,069,000	1,052,000	394,000	1,446,000	37.5%
Other	2,420,703	2,421,000	2,414,000	7,000	2,421,000	0.3%
Total Non Operating Revenue	2,803,091	4,490,000	3,466,000	401,000	3,867,000	11.6%
Total Revenue	166,939,758	173,549,000	177,039,000	16,817,000	193,856,000	9.5%
Operating Expense						
Labor:						
Labor and Benefits	28,767,177	29,825,000	31,148,500	943,500	32,092,000	3.0%
Overtime	2,318,313	2,153,000	2,121,000	100,000	2,221,000	4.7%
Total Labor	31,085,490	31,978,000	33,269,500	1,043,500	34,313,000	3.1%
Non Labor:						
Material & Supplies	8,733,544	10,433,000	9,073,000	3,295,000	12,368,000	36.3%
Travel	50,521	100,000	100,000	50,000	150,000	50.0%
Natural Gas Purchases & Transportation	31,871,612	36,482,000	32,631,000	9,597,000	42,228,000	29.4%
Gas Production Expense	13,338,050	15,707,000	18,379,000	4,206,000	22,585,000	22.9%
Southcentral Power Project	3,467,572	4,155,000	4,155,000	170,000	4,325,000	4.1%
Purchased Power & Wheeling	5,419,044	5,885,000	5,902,000	196,000	6,098,000	3.3%
Regulatory Debit/Credit	5,923,949	5,059,000	298,000	(14,885,000)	(14,587,000)	-4995.0%
Depreciation, Depletion & Amortization	29,643,900	33,174,000	37,455,000	(3,990,000)	33,465,000	-10.7%
Transfers (MUSA and Gross Receipts)	7,538,022	5,984,000	5,845,000	4,675,000	10,520,000	80.0%
Transfers to Gen Gov't-SAP	8,579	-	240,000	(240,000)	-	-100.0%
Total Non Labor	105,994,793	116,979,000	114,078,000	3,074,000	117,152,000	2.7%
Total Direct Costs	137,080,283	148,957,000	147,347,500	4,117,500	151,465,000	2.8%
Charges from Other Departments	2,345,579	2,631,000	2,631,377	822,081	3,453,458	31.2%
Total Operating Expense	139,425,862	151,588,000	149,978,877	4,939,581	154,918,458	3.3%
Non Operating Expense						
Interest on Bonded Debt	18,289,164	17,979,000	20,270,000	4,561,000	24,831,000	22.5%
Other Interest Expense	1,204,359	2,007,000	2,321,000	(1,025,000)	1,296,000	-44.2%
Allowance for Funds Used During Construction	(773,372)	(14,537,000)	(986,000)	(385,000)	(1,371,000)	39.0%
Amortization of Debt Expense	(935,143)	(684,000)	(919,000)	2,000	(917,000)	-0.2%
Other	119,975	105,000	137,000	(18,000)	119,000	-13.1%
Total Non Operating Expense	17,904,982	4,870,000	20,823,000	3,135,000	23,958,000	15.1%
Total Expenses (Function Cost)	157,330,844	156,458,000	170,801,877	8,074,581	178,876,458	4.7%
Net Income	9,608,914	17,091,000	6,237,123	8,742,419	14,979,542	140.2%
Appropriation						
Total Expenses	157,330,844	156,458,000	170,801,877	8,074,581	178,876,458	4.7%
Less: Non Cash items						
Depreciation, Depletion & Amortization	29,643,900	33,174,000	37,455,000	(3,990,000)	33,465,000	-10.7%
Regulatory Debits/Credits	5,923,949	5,059,000	298,000	(14,885,000)	(14,587,000)	-4995.0%
Allowance for Funds Used During Construction	(773,372)	(14,537,000)	(986,000)	(385,000)	(1,371,000)	39.0%
Amortization of Bonds	(935,143)	(684,000)	(919,000)	2,000	(917,000)	-0.2%
Total Non Cash	33,859,334	23,012,000	35,848,000	(19,258,000)	16,590,000	-53.7%
Amount to be Appropriated (Cash Expenses)	\$123,471,510	\$133,446,000	\$134,953,877	\$27,332,581	\$162,286,458	20.3%

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

Municipal Light & Power

Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

		Positions		
	Appropriation	FT	PT	T
2016 Approved Budget	170,801,877	255	1	21
Transfers (to)/from Other Agencies				
- SAP	(240,000)	-	-	-
- Intragovernmental Charges	822,081	-	-	-
- MUSA and Gross Receipts	4,675,000	-	-	-
Debt Service Changes				
- Interest Expense	3,536,000	-	-	-
Changes in Existing Programs/Funding for 2017				
- Depreciation, Depletion & Amortization	(3,990,000)	-	-	-
- Allowance for Funds Used During Construction	(385,000)	-	-	-
- Gas Production Expense	4,206,000	-	-	-
- Regulatory Debits/Credits	(14,885,000)	-	-	-
- Purchased Power & Wheeling	196,000	-	-	-
- Natural Gas Purchases and Transportation	9,597,000	-	-	-
- Amortization of Debt Expense	2,000	-	-	-
- Southcentral Power Project	170,000	-	-	-
2017 Continuation Level	174,505,958	255	1	21
2017 Proposed Budget Changes				
- Salary and benefit adjustment	1,043,500	7	-	(3)
- Material and Supplies	3,295,000	-	-	-
- Misc. Non-Operating Expense	(18,000)	-	-	-
- Travel	50,000	-	-	-
2017 Proposed Operating Budget	178,876,458	262	1	18
2017 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation, Depletion & Amortization	33,465,000	-	-	-
- Regulatory Debits/Credits	(14,587,000)	-	-	-
- Allowance for Funds Used During Construction	(1,371,000)	-	-	-
- Amortization of Bonds	(917,000)	-	-	-
2017 Proposed Budget (Appropriation)	162,286,458	262	1	18

Municipal Light & Power
2017 - 2022 Capital Improvement Program
(in thousands)

Project Category	2017	2018	2019	2020	2021	2022	Total
Beluga River Gas Field	8,501	2,267	11,901	2,267	11,901	2,267	39,104
Distribution	20,105	20,635	17,615	14,130	16,875	22,090	111,450
General Plant	3,582	3,125	3,365	2,275	2,780	2,505	17,632
Production	7,246	4,100	17,695	9,118	9,058	455	47,672
Transmission	3,330	6,480	3,430	4,260	3,480	4,130	25,110
Total	42,764	36,607	54,006	32,050	44,094	31,447	240,968

Funding Source	2017	2018	2019	2020	2021	2022	Total
Equity/Operations	31,863	31,890	39,605	27,233	29,593	26,530	186,714
Revenue Bond/Commercial Paper	-	-	-	-	-	-	-
Contribution in Aid of Construction	2,400	2,450	2,500	2,550	2,600	2,650	15,150
Beluga Contributed	8,501	2,267	11,901	2,267	11,901	2,267	39,104
Total	42,764	36,607	54,006	32,050	44,094	31,447	240,968

Municipal Light & Power
2017 Capital Improvement Budget
(in thousands)

Project Title	Equity/ Operations	Revenue Bond/ Commercial Paper	Contribution in Aid of Construction	Beluga Contributed	Total
Eklutna Power Plant	2,450	-	-	-	2,450
Structures & Improvements - Plant 1/Plant 2	1,766	-	-	-	1,766
Turbines & Generators	3,030	-	-	-	3,030
Land & Land Rights-Transmission & Distribution	60	-	-	-	60
Transmission Lines	1,170	-	-	-	1,170
Transmission Stations	2,140	-	-	-	2,140
Distribution Equipment	4,335	-	-	-	4,335
Meters	400	-	-	-	400
Overhead Lines	1,910	-	-	-	1,910
Street Lighting	20	-	-	-	20
Transformer Services	3,400	-	-	-	3,400
Underground Lines	7,600	-	2,400	-	10,000
Communications	2,340	-	-	-	2,340
Stores/Tools/Lab	242	-	-	-	242
Structures & Improvements - General Plant	250	-	-	-	250
Transportation	750	-	-	-	750
Beluga River Gas Field	-	-	-	8,501	8,501
ML&P TOTAL	\$ 31,863	\$ -	\$ 2,400	\$ 8,501	\$ 42,764

Municipal Light & Power Statement of Cash Sources and Uses

	2015 Actual*	2016 Proforma	2017 Proposed
Sources of Cash Funds			
Income Before Dividend	9,608,914	17,091,000	14,979,542
Depreciation/Depletion/Amortization	29,643,900	33,174,000	33,465,000
Amortization of Bonds	(935,143)	(684,000)	(917,000)
Bond Proceeds / Commercial Paper	89,600,000	62,574,000	192,000,000
Deferred Charges and Other Assets	(1,579,431)	3,498,948	(2,400,000)
Contribution in Aid of Construction	2,086,820	89,101,894	5,993,706
Changes in Assets and Liabilities	3,913,408	(87,695,499)	(188,271,945)
Total Sources of Cash Funds	132,338,468	117,060,343	54,849,303
Uses of Cash Funds			
Additions to Plant	110,485,296	175,072,700	35,809,798
Debt Principal Payment	7,440,000	8,569,547	8,674,252
Total Uses of Cash Funds	117,925,296	183,642,247	44,484,050
 Net Increase (Decrease) in Cash Funds	 14,413,172	 (66,581,904)	 10,365,253
 Cash Balance, January 1	 146,977,102	 161,390,274	 94,808,370
Cash Balance, December 31	161,390,274	94,808,370	105,173,623
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	26,314,358	30,445,436	13,160,109
Bond Cash	(2,977,415)	-	-
BRU Reg Liability, Future Gas Purchases & ARO	98,979,717	23,469,643	32,619,861
Bond Investment	23,206,490	23,001,710	38,166,554
Debt Service	2,120,791	2,095,249	2,830,767
Operating Fund Investment & Customer Deposits	13,746,333	15,796,333	18,396,333
Cash Balance, December 31	161,390,274	94,808,370	105,173,623

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

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, 2015, ML&P had 232 employees and total labor and benefit costs of approximately \$46.1 million, which includes operating and capital labor expenditures. Of these 232 employees, 172 were covered by a labor agreement with the IBEW and 60 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.

On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was \$152 million. The utility now owns 56.67 percent of the field.

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 2015, the average number of residential and commercial customers was 24,479 and 6,366 respectively. In 2015, electric retail sales totaled 1,018,677 MWh resulting in revenues of \$141,019,025. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were \$164,136,667. 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 working interest in the Beluga River Unit Gas Field.

- Power Generated/Purchased in 2015

	1,243,559 MWh	
• ML&P Generated	702,571 MWh	56.45%
Southcentral Power Plant	338,331 MWh	27.23%
Eklutna Hydroelectric Project	68,553 MWh	5.52%
• Purchased:		
- Bradley Lake Project	117,013 MWh	9.42%
- 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

• Underground Cable	373 Miles	
• Overhead Line	253 Miles	67.83%
• 19 Substations	120 Miles	32.17%

- Total Electric Plant as of December 31, 2015 \$689,044,750
- Total Gas Plant as of December 31, 2015 \$ 70,134,603
- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44.4 MW of installed capacity.
- ML&P is a 30% owner of the Southcentral Power Plant
- 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.