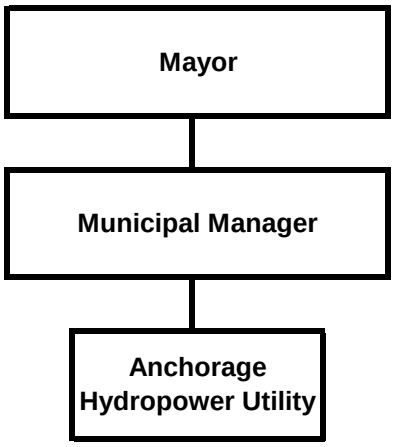
Anchorage Hydropower Utility



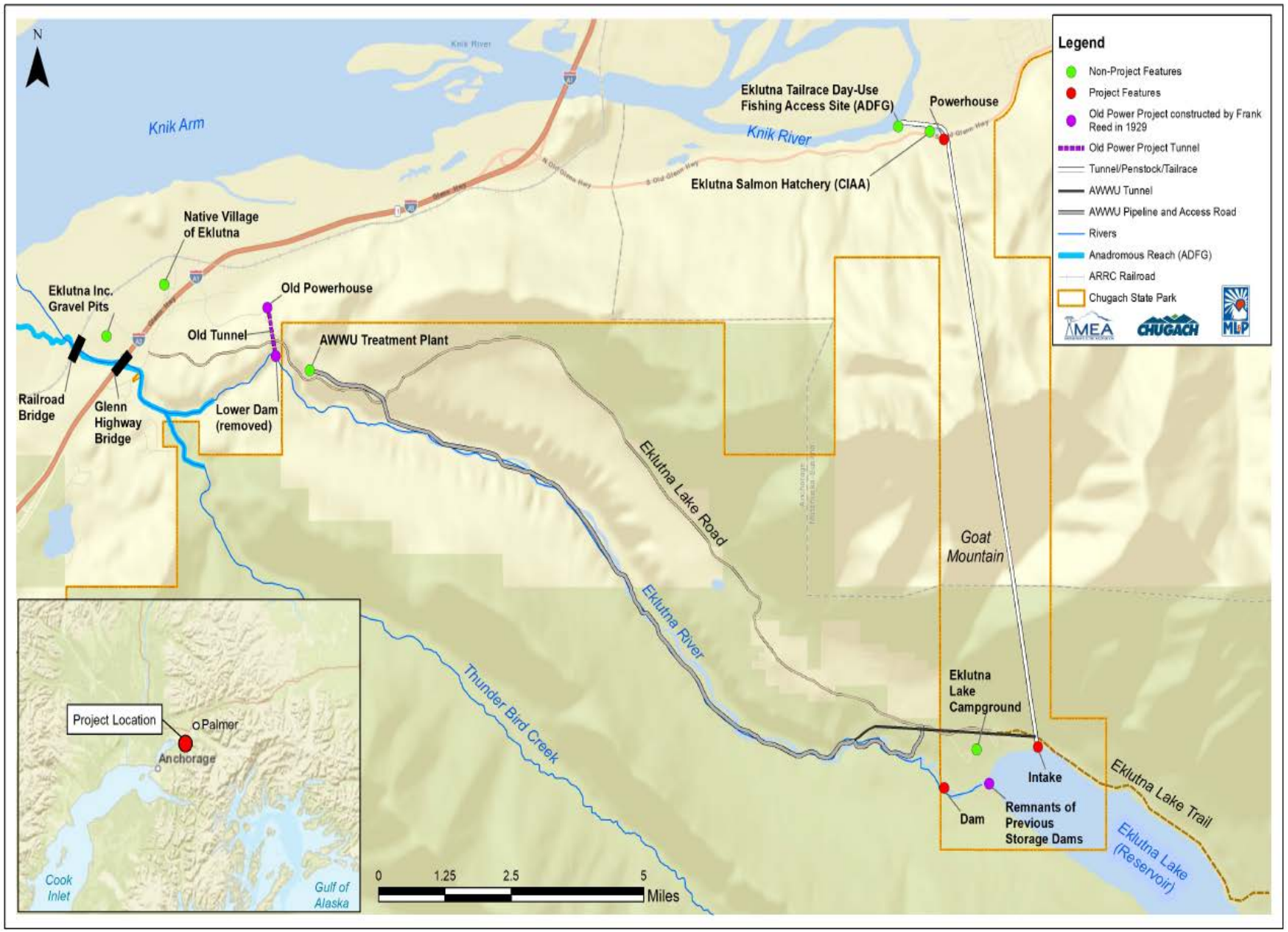
Anchorage Hydropower Utility
Organizational Overview

The Anchorage Hydropower Utility is an enterprise function of the Municipality of Anchorage (MOA).

The MOA is selling Municipal Light & Power (ML&P) and with the closing of the sale transaction to Chugach Electric Association, Inc. (CEA), the nature of the electric service provided by the MOA will immediately convert from the provision of retail electric service to a significant portion of Anchorage, through generation, transmission, and distribution facilities, to the far more limited provision of wholesale generation service through long-term contracts with two utility customers. MOA's ownership interest in the generation assets of the Eklutna Hydroelectric Project ("Eklutna Project") will not be transferred to CEA and will be retained by the MOA, as the Anchorage Hydropower Utility.

Anchorage Hydropower Utility is located approximately 30 miles northeast of Anchorage on the Old Glenn Highway. MOA, CEA, and Matanuska Electric Association, Inc. (MEA) share the project costs through a proportionate share of ownership. Under separate power purchase agreements (PPAs), for a term of 35 years, CEA will purchase its proportionate share (64.29%) of ML&P's share, and MEA will purchase its proportionate share (35.71%), of the Eklutna output. Through these PPAs, CEA and MEA have agreed to purchase the entire output of the MOA's Eklutna Project ownership interest.

Visit the Eklutna Project website at: https://www.eklutnahydro.com/background/


N
Knik Arm
Knik River
Eklutna Tailrace Day-Use Fishing Access Site (ADFG)
Powerhouse
Eklutna Salmon Hatchery (CIAA)
Native Village of Eklutna
Eklutna Inc. Gravel Pits
Old Powerhouse
Old Tunnel
AWWU Treatment Plant
Railroad Bridge
Glenn Highway Bridge
Lower Dam (removed)
Eklutna Lake Road
Goat Mountain
Eklutna River
Thunder Bird Creek
Eklutna Lake Campground
Intake
Dam
Remnants of Previous Storage Dams
Eklutna Lake Trail
Eklutna Lake (Reservoir)
Project Location
Palmer
Anchorage
Cook Inlet
Gulf of Alaska
0
1.25
2.5
5
Miles
Legend
Non-Project Features
Project Features
Old Power Project constructed by Frank Reed in 1929
Old Power Project Tunnel
Tunnel/Penstock/Tailrace
AWWU Tunnel
AWWU Pipeline and Access Road
Rivers
Anadromous Reach (ADFG)
ARRC Railroad
Chugach State Park
MEA
CHUGACH
MLP

Anchorage Hydropower Utility
Business Plan

Mission
Provide energy that is safe and reliable to meet purchase power agreement (PPA) requirements.

Services
Anchorage Hydropower owns 53.33% of the generation assets of the Eklutna Hydroelectric Project. Anchorage Hydropower sells all its electric output to Chugach Electric Association (CEA) and Matanuska Electric Association (MEA), pursuant to PPAs. Anchorage Hydropower is currently subject to economic regulation by the Regulatory Commission of Alaska (RCA).

Business Goals
- Provide electricity to satisfy the PPAs.
- Maintain $3 million cash reserve in accordance with RCA Order U-19-020(39).
- Maintain 180 days of cash on hand to cover operating expenses.
- Maintain equity and earn net income at a level sufficient to continue to ensure the long-term financial stability of the utility.
- Operate the electrical system with optimum economic efficiency and strict adherence to environmental standards.

Strategies to Achieve Goals
- Implement industry best-practices and streamline business processes to ensure the financial and operational integrity of the utility.
- Contract with an individual with knowledge of the Railbelt generation and transmission system and prudent utility practice to advise on power plant operations.
- Work collaboratively as owners of the Eklutna Hydropower Project to implement predictive maintenance program to reduce or eliminate outages and interruptions

Performance Measures to Track Progress in Achieving Goals
1. Maintain positive Net Income

About Anchorage Hydropower Utility

History
In 1929, the privately owned, Anchorage Power & Light Company (AP&L) began supplying electricity from a hydroelectric power plant on the Eklutna River, 30 miles northeast of Anchorage. In 1943, the city acquired the Eklutna plant from AP&L. In 1955, the U.S. Bureau of Reclamation completed construction of a new, larger plant on the Eklutna River. The city contracted for 16,000 kilowatts of generating capacity from that plant and "little" Eklutna was transferred to the federal government. In 1997, Municipal Light & Power (ML&P), Chugach Electric Association, Inc. (CEA), and Matanuska Electric Association, Inc. (MEA) jointly took ownership of the Eklutna Hydroelectric Plant. In 2020, through the sale of ML&P, the Municipality of Anchorage (MOA) retained its ownership interest in the generation assets of the Eklutna Hydroelectric Project (Eklutna Project). ML&P, CEA, and MEA each own an undivided interest in the Eklutna Project in the following percentages: ML&P, 53.33 percent; Chugach, 30 percent; and MEA, 16.67 percent.

Facilities & Equipment
The 40-megawatt (MW) Eklutna Project is in Southcentral Alaska approximately 30 miles northeast of downtown Anchorage near the Native Village of Eklutna. The U.S. Bureau of Reclamation (USBR) constructed the project in 1955, which included rehabilitation of an existing dam at the outlet of Eklutna Lake.

The rehabilitated dam was damaged in the 1964 earthquake, at which point a new and taller embankment dam was constructed just downstream. The new dam is an earth and rockfill structure 815 feet long and 41 feet high with a rectangular concrete spillway that runs through the dam. Eklutna Lake, approximately 7 miles long and 1 mile wide, is located within Chugach State Park and provides almost 90 percent of the domestic water supply for the MOA. The intake structure for the Eklutna Project is located 36 feet below the natural lake level. From there, water is diverted north into a 4.6-mile-long tunnel through Goat Mountain and then into a 1,370-foot-long penstock before reaching the powerhouse located on Old Glenn Highway. The tailrace flows under the highway and then discharges into the Knik River. The powerhouse contains two generating units.

Services
The Eklutna Project has 40 megawatts of generation capacity and produces approximately 130,000 kilowatt-hours of electricity per year.

In 2018, the project produced 177,438 megawatt hours (MWh) of clean energy. This is enough energy to power more than 24,600 residential homes for an entire year. Eklutna hydroelectric power is the lowest cost renewable energy in Southcentral Alaska.

Regulation
The utility is regulated by the Regulatory Commission of Alaska (RCA) and subject to abide by the rules and regulations in the utility's tariff, if any, or in special contracts with customers.

Under sections 13.11(a) and 16.04.B. of the Anchorage Municipal Charter, the revenue received from CEA under the power purchase agreement must be distributed in the MOA Trust Fund. The new section 26.10.068 provides that revenue received from CEA must be distributed to the MOA trust fund. It also provides that additional revenue may be distributed to the general

government budget, subject to the requirement that the utility maintain sufficient reserves to meet anticipated capital and operating expenses and as required by the RCA.

The RCA requires that the MOA maintain a reserve fund of not less than $3,000,000 to support the MOA's share of anticipated operations. If for any reason these reserves are not met, the utility is prohibited from paying a dividend to general government and depositing CEA's payments to the trust.

Source: Eklutna Hydro. Accessed September 29, 2020. https://www.eklutnahydro.com/background/

Anchorage Hydropower Utility
Highlights and Future Events

The 1991 Fish & Wildlife Agreement (Agreement) gives deadlines for specific milestones in the consultation, program development, and implementation processes. These deadlines, listed below, are all relative to the date on which ownership of the project was officially transferred from the federal government to the three local utilities (October 2, 1997). This date is referred to as the Transaction.

Before the Governor issues the final Fish & Wildlife Program, the Agreement requires the owners to develop study plans, conduct the necessary studies, prepare study reports, develop a draft Fish & Wildlife Program, engage the public, and to consult with agencies and interested parties multiple times throughout the process. In order to allow adequate time to meet these requirements, the owners have initiated the consultation process early.

- 2022 – Initiate the consultation process no later than 25 years after the transaction date
- 2024 – Issuance of the Final Program by the Governor at least 3 years prior to implementation
- 2027 – Begin implementation of the Program no later than 30 years after the transaction
- 2032 – Complete implementation of the Program no later than 35 years after the transaction

The planned schedule for providing the Governor with a Proposed Fish & Wildlife Program is shown below.

2019 – Initiate consultation process, develop a website, gather existing information, conduct site reconnaissance, and develop a long-term plan.

2020 – Retain technical experts, develop study plans in consultation with state and federal agencies and any interested parties, and submit study plan schedule to the Governor for approval.

2021–2022 – Conduct studies as described in the study plans (assuming 2 years of studies), develop a draft Summary of Results, and distribute to stakeholders for review and comment.

2023–2024 – Develop a draft Program, distribute to stakeholders for review and comment, conduct public meetings, resolve any disagreements, and submit proposal to the Governor.

Source: Eklutna Hydro. Accessed September 29,2020. https://www.eklutnahydro.com/project-schedule/

Anchorage Hydropower Utility
External Impacts

Fish & Wildlife Agreement in 1991 with the United States Fish and Wildlife Service (USFWS), the National Marine Fisheries Service (NMFS), and the State of Alaska (the State). The 1991 Agreement requires the utilities to examine, and quantify if possible, the impacts to fish and wildlife from the Eklutna Hydroelectric Project, examine proposals for the protection, mitigation and enhancement of fish and wildlife affected by the hydroelectric development, consider the impacts of any protection, mitigation, or enhancement (PME) measures on other environmental resources and beneficial public uses as well as available means to mitigate those impacts, and then to develop and propose a Fish & Wildlife Program to the Governor. The Governor will review the proposal and issue a final Fish & Wildlife Program giving equal consideration to:

- the purposes of efficient and economical power production
- the protection, mitigation of damage to, and enhancement of fish and wildlife
- the protection of recreation opportunities,
- municipal water supplies
- the preservation of other aspects of environmental quality
- other beneficial public uses
- requirements of State law

Throughout this process, the owners are required to consult with the USFWS, the NMFS, State resource agencies including the Alaska Department of Fish and Game (ADF&G), the Alaska Department of Environmental Conservation (ADEC) and the Alaska Department of Natural Resources (ADNR), and any other interested parties. The USFWS, NMFS, and the State agreed that this process obviates the need for the owners to obtain a license for the project from the Federal Energy Regulatory Commission (FERC). The Native Village of Eklutna and Anchorage Water & Wastewater Utility are also included in the process.

Source: Eklutna Hydro. Accessed September 29, 2020. https://www.eklutnahydro.com/background/

Anchorage Hydropower Utility
8 Year Summary
($ in thousands)

Financial Overview	2021 Proposed	2022	2023	2024	2025	2026
		Forecast				
Revenues	4,807	4,854	4,902	4,950	4,999	5,049
Expenses and Transfers [1]	3,093	3,945	4,030	4,114	3,703	4,794
Net Income(Loss)	**1,714**	**909**	**872**	**836**	**1,296**	**255**
Charges by/to Other Departments	35	36	37	38	39	40
Municipal Enterprise/Utility Service Assessment	-	-	-	-	-	-
Dividend to General Government	-	757	1,178	1,166	1,150	1,133
Transfers to General Government [2]	**35**	**793**	**1,215**	**1,204**	**1,189**	**1,173**
Operating Cash	515	533	551	572	592	592
Construction Cash Pool	1,075	872	724	786	780	1,300
Restricted Cash	3,000	3,000	3,000	3,000	3,000	3,000
Total Cash	**4,590**	**4,405**	**4,275**	**4,358**	**4,372**	**4,892**
Net Position (Equity) 12/31	992	455	447	446	442	918
Capital Assets Beginning Balance	-	-	-	-	-	-
Asset Additions Placed in Service	-	-	-	-	-	-
Assets Retired	-	-	-	-	-	-
Change Depreciation (Increase)/Decrease	-	-	-	-	-	-
Net Capital Assets (12/31)	-	-	-	-	-	-
Equity Funding Available for Capital	-	732	1,702	2,162	2,573	3,431

[1] Expenses shown include all transfers to General Government and all non-cash items: depreciation (including depreciation on assets purchased with grant funds) and amortization activities.

[2] Included in total expenses calculated in Net Income.

Anchorage Hydropower
Statement of Revenues and Expenses

	2021 Proposed
Operating Revenue	
Wholesale Power Sales CEA	2,514,561
Wholesale Power Sales MEA	1,833,402
Water Diversion Payment MEA	398,687
Reimbursed Costs	-
Total Operating Revenue	**4,746,650**
Non Operating Revenue	
Investment Income	60,000
Other Income	10
Total Non Operating Revenue	**60,010**
Total Revenue	**4,806,660**
Operating Expense	
Total Labor	-
Supplies	160,760
Travel	-
Contractual/Other Services	150,000
Equipment/Furnishings	-
Contributions to Other Funds	2,514,561
Dividend to General Government	-
Manageable Direct Cost Total	2,825,321
Municipal Enterprise/Utility Service Assessment	-
Depreciation/Amortization	232,612
Non-Manageable Direct Cost Total	232,612
Charges by/to Other Departments	34,954
Intradepartmental Overheads	-
Total Operating Expense	**3,092,887**
Non Operating Expense	
Total Non Operating Expense	**-**
Total Expense	**3,092,887**
Net Income (Loss)	**1,713,773**
Appropriation:	
Total Expense	**3,092,887**
Less: Non Cash Items	
Depreciation/Amortization	232,612
Total Non-Cash	232,612
Amount to be Appropriated (Function Cost/Cash Expense)	**2,860,275**

Anchorage Hydropower Utility
Reconciliation from 2020 Revised Budget to 2021 Proposed Budget

	Expenses	Positions FT	Positions PT	Positions Temp/ Seas
2020 Revised Budget (Appropriation)	2,173,262	-	-	-
Transfers by/to Other Departments				
- Charges by Other Departments	(33,796)	-	-	-
Changes in Existing Programs/Funding for 2021				
- Contractual/Other Services	(352,325)	-	-	-
- Contributions to Other Funds	912,374	-	-	-
- Dividend to General Government	-	-	-	-
2021 Continuation Level	**2,699,515**	-	-	**-**
2021 Proposed Budget Changes				
- Supplies	160,760	-	-	-
2021 Proposed Budget	**2,860,275**	**-**	**-**	**-**
2021 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation	-	-	-	-
2021 Proposed Budget (Appropriation)	**2,860,275**	**-**	**-**	**-**
	2021 Proposed FTE			
	-	**-**	**-**	**-**

Anchorage Hydropower Utility
2021 Capital Improvement Budget

($ in thousands)

Projects	Debt	Grants: State	Grants: Federal	Equity	Total
Fish & Wildlife	-	-	-	480	480
Generation	-	-	-	228	228
Total	**-**	**-**	**-**	**708**	**708**

Anchorage Hydropower Utility
2021 - 2026 Capital Improvement Program

($ in thousands)

Projects	Year	Grants			Equity	Total
		Debt	State	Federal		
Plant						
Fish & Wildlife	2021	-	-	-	480	480
	2022	-	-	-	480	480
	2023	-	-	-	480	480
	2024	-	-	-	480	480
	2025	-	-	-	480	480
	2026	-	-	-	480	480
		-	-	-	2,880	2,880
Generation	2021	-	-	-	228	228
	2022	-	-	-	244	244
	2023	-	-	-	261	261
	2024	-	-	-	280	280
	2025	-	-	-	300	300
	2026	-	-	-	300	300
		-	-	-	1,613	1,613
	Total	**-**	**-**	**-**	**4,493**	**4,493**

Fish & Wildlife

Project ID 2021003
Project Type New
District
Community Council

Department Anchorage Hydropower Utility
Start Date January 2021
End Date

Description

Fish and Wildlife costs are for the development of studies required by the agreement.

Version Main

		2021	2022	2023	2024	2025	2026	Total
Revenue Sources	**Fund**							
Net Assets	531200 - Anchorage Hydropower CIP	480	480	480	480	480	480	2,880
Total ($ in thousands)		**480**	**480**	**480**	**480**	**480**	**480**	**2,880**

Generation

Project ID 2021002
Project Type Maintenance
District
Community Council

Department Anchorage Hydropower Utility
Start Date January 2021
End Date

Description

Turbine maintenance that is based on historical operating experience and in accordance with the manufacturers recommended maintenance schedule based on the number of hours a unit runs.

Version Main

		2021	2022	2023	2024	2025	2026	Total
Revenue Sources	**Fund**							
Net Assets	531200 - Anchorage Hydropower CIP	228	244	261	280	300	300	1,613
Total ($ in thousands)		**228**	**244**	**261**	**280**	**300**	**300**	**1,613**