



**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Financial Statements

and

Supplementary Information

December 31, 2008 and 2007

(With Independent Auditor's Report Thereon)

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-22
Balance Sheets	23-24
Statements of Revenues, Expenses, and Changes in Fund Net Assets	25
Statements of Cash Flows	26-27
Notes to Financial Statements	28-55
Electric Utility Statistical Section	56-75

Independent Auditor's Report

Honorable Mayor and Members of the Assembly
Municipality of Anchorage, Alaska

We have audited the accompanying financial statements of the Electric Utility Fund (the Utility), an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Utility for the year ended December 31, 2007, were audited by other auditors whose report, dated July 7, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Electric Utility Fund and do not purport to, and do not, present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2008 and 2007, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Electric Utility Fund as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the Assembly
Municipality of Anchorage, Alaska

The management's discussion and analysis on pages 3 through 22 and the schedule of funding progress in Note 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

The accompanying statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 11, 2009

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Management's Discussion and Analysis

December 31, 2008 and 2007

The Electric Utility Fund (Utility) is a public utility of the Municipality of Anchorage (Municipality). The following is a discussion and analysis of the Utility's financial performance, providing an overview of the activities for the years ended December 31, 2008 and 2007. This discussion and analysis contains other supplementary information, in addition to the basic financial statements for the years ended December 31, 2008 and 2007. Please read it in conjunction with the Utility's financial statements and accompanying notes, which follow this section.

Financial Highlights

- The Utility's total plant increased by \$12 million or 3% in 2008, while increasing by \$14.4 million or 4% in 2007.
- The Utility's net assets increased by \$9.2 million or 4% in 2008 compared to an increase of \$17.4 million or 9% in 2007.
- Total revenues for 2008 increased by \$3.6 million or 3.5% compared to a decrease in 2007 of \$18.8 million or 15%, while expenses (excluding dividend) increased by \$13.6 million or 16.7% in 2008 compared to a decrease of \$18.5 million or 18% in 2007.
- In 2006 the Regulatory Commission of Alaska (RCA) issued Order No 2 in Docket U-06-89 (2) concerning the use of the funds received in settlement of the 2005 gas underlift which resulted in recognizing a regulatory liability in the amount of \$23.8 million to be used for future natural gas purchases. The deferred credit consisted of the 2005 settlement of \$23 million (final adjusted settlement) plus interest of \$.8 million. The Order also agreed with the Utility's proposal to loan the electric fund the gas underlift proceeds to construct a new generating unit (Unit) with the condition that as the funds were repaid, the loan amount plus interest will be restricted for future natural gas purchases. As of December 31, 2008 and December 31, 2007, the regulatory liability account has a balance of \$26 million and \$25 million, respectively.
- In 2008 and 2007, the Utility paid a dividend and gross receipts tax of \$6.4 million and \$7.4 million respectively, to the Municipality based on prior year revenues confirmed after audit. The dividend consists of a revenue distribution to general government of 5% of the Utility's gross revenues excluding restricted revenues or \$5.2 million in 2008 and \$6 million in 2007. In addition, payment of a gross receipts tax considered supplemental Municipal Utility Service Assessment (MUSA) was made to the Municipality at 1.25% times actual gross operating revenues or \$1.2 million in 2008 and \$1.4 million in 2007. In addition to these MUSA payments, the Utility paid MUSA on its net plant in service of \$3.1 million in 2008 and \$2.3 million in 2007.
- In 2006 the Utility loaned the Municipality's Real Estate Services Fund \$3.7 million for the acquisition of real property described as tract B, Muldoon Estates Subdivision per Assembly Ordinance (AO) 2006-149(S). The terms of the inter-fund loan require repayment within a period "not to exceed five (5) years" and annual interest "based upon the Cash Pool Earnings rate plus 50 basis points". The balance of the loan, including accrued interest, as of December 31, 2008 is \$4.1 million.
- In 2007 the Utility filed its 2006 Petroleum Production Tax (PPT) with the State of Alaska, Department of Revenue Tax Division (Division). The Utility paid \$1.1 million in installment

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Management's Discussion and Analysis

December 31, 2008 and 2007

payments for the applicable period and believed it was entitled to a refund of overpayments, plus interest, in the amount of \$1.1 million. The Utility received a refund of \$1.1 million, which was passed on to third party gas customers based on their proportionate share of purchases. The Division stated that interest was not applicable in the interim period.

- In 2008 the Utility entered into a participation agreement with Chugach Electric Association, Inc. (CEA) to proceed with the joint development, construction, and operation of the Southcentral Power Project (see Note 9(e)).
- In 2007 the United States Minerals Management Service (MMS) conducted an audit of the Utility's royalty valuation of its own-use gas from the Beluga River Unit Gas Field (BRU) for the period January 1, 2003 through December 2006. The MMS concluded that years 2003 through 2005 were in compliance. Beginning January 1, 2006 when the Utility's gas purchase contracts with Chevron Texaco and Conoco Phillips expired, the Utility began supplying all its internal gas needs from BRU gas reserves. In the absence of these contracts, the Utility based its royalty valuation on the annual gas transfer price that the RCA established for the Utility. The MMS deemed that this was not an appropriate value for paying royalty. Under protest, the Utility paid the MMS determined under-paid royalty of \$2 million. An agreement was later reached between the MMS and the Utility that the appropriate royalty value for the Utility's internally used non-arm's-length gas consumption beginning January 1, 2006 should be based on the Utility's sales price to CEA. This valuation method is consistent with 30 CFR 206152 (c), and results in a recalculated royalty of \$1.7 million.
- In 2007 the Utility petitioned the RCA to change the methodology used to adjust the gas transfer price and record proceeds from the sale of gas, net of royalties, as a regulatory liability. On May 15, 2007 the RCA approved the Utility's petition (see Note 8(c)).

Overview of the Financial Statements

The Utility is an enterprise fund of the Municipality that provides electrical services to a specific area of the Municipality. The Utility is subject to the regulatory authority of the RCA.

Required Financial Statements

The Utility's financial statements offer short- and long-term information about the activities of the Utility and are prepared using the economic resources measurement focus and accrual basis of accounting.

The balance sheets include all of the Utility's assets and liabilities and provide information about the nature and amounts of investments in resources and obligations to creditors.

The statements of revenues, expenses, and changes in fund net assets provide current year operating and nonoperating revenues and expenses, and the change in net assets of the Utility.

The statements of cash flows using the direct method provides information about the Utility's cash receipts and cash payments during the reporting period. This statement reports cash and cash-equivalent activities for the fiscal year resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investment activities. This statement also provides answers to such questions as "Where

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?".

The Notes to Financial Statements provide the reader with information categorized by Description of Business and Summary of Significant Accounting Policies, Cash and Investments, Capital Assets, Long-Term Obligations, Net Assets, Retirement Plans, Commitments and Contingencies, Regulatory Matters, and Other Matters that affect the Utility's financial position and results of operations.

Financial Analysis of the Utility

One of the most important questions asked about the Utility's finances is, "Is the Utility, as a whole, better off or worse off as a result of the year's activities?". The balance sheets and the statements of revenues, expenses, and changes in fund net assets report information about the Utility's activities in a way that will help answer this question. These two statements report the net assets of the Utility and changes in them. You can think of the Utility's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Utility's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, as well as legislative and regulatory mandates.

The Utility's total net assets increased by \$9.2 million in 2008 and increased by \$17.4 million in 2007. The analysis below focuses on the Utility's net assets and changes in net assets during the year.

	December 31		
	2008	2007	2006
Current and other assets	\$ 64,009,613	58,201,263	72,369,200
Restricted assets	82,068,646	66,762,044	69,765,766
Plant	359,710,904	347,707,727	333,322,546
Total assets	<u>505,789,163</u>	<u>472,671,034</u>	<u>475,457,512</u>
Long-term obligations	159,405,791	176,839,345	193,360,899
Other liabilities	122,666,162	81,339,940	85,026,687
Total liabilities	<u>282,071,953</u>	<u>258,179,285</u>	<u>278,387,586</u>
Invested in capital assets, net of related debt	169,633,315	142,767,311	108,993,625
Restricted for debt service	27,503,462	28,189,951	28,650,124
Restricted for capital projects	-	15,632,892	29,054,544
Unrestricted	26,580,433	27,901,595	30,371,633
Total net assets	<u>\$ 223,717,210</u>	<u>214,491,749</u>	<u>197,069,926</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

The following explains the major changes in the Utility's total assets:

Current and Other Assets

Current and other assets increased by \$5.8 million at the end of 2008 compared to a decrease of \$14.2 million at the end of 2007. Components of the changes were:

	2008 vs. <u>2007</u>	2007 vs. <u>2006</u>
(Decrease) in equity in general cash pool	\$ (7,377,929)	(19,024,194)
Increase in utility customers receivables	9,459,503	2,037,435
(Decrease) in other receivables	(1,580,816)	(1,699,888)
(Decrease) in accrued interest	(33,354)	(156,388)
Increase in unbilled reimbursable work orders	174,902	19,621
Increase in inventory of materials and supplies, at weighted average cost	5,592,113	3,178,995
Increase in long-term notes receivable from the Municipality	192,851	234,965
Increase (decrease) in miscellaneous deferred charges and other assets	(380,064)	1,531,229
(Decrease) in unamortized debt expense	<u>(238,856)</u>	<u>(289,712)</u>
Change in current and other assets	<u>\$ 5,808,350</u>	<u>(14,167,937)</u>

Explanation of changes:

2008 vs. 2007: The decrease of \$7.4 million in general cash was due to regulatory orders requiring the cash from third party gas sales be restricted for future BRU construction and future gas purchases as well as restricting cash repaid from the loan from the gas fund to the electric fund (see Note 8(a) and (c)). Utility customer receivables increased by \$9.5 million because of the cost of power adjustment (COPA) being under-collected in 2008. COPA is filed on a quarterly basis to reset rates for electric customers and annually when setting the gas transfer price for the gas fund. COPA will vary based on the gas transfer price, purchased power, and margins made on Sales for resale. The gas transfer price for the gas fund will change annually based on the cost of field production. Other receivables decreased by \$1.6 million. The reason for the decrease is because of the reduction in Sales for resale billings at the end of 2008 versus 2007. In addition, at year-end 2007 there were outstanding accounts receivables for the construction project at the Port of Anchorage and billings to the Alaska Energy Authority for the insurance policy on the Teeland Douglas project that were paid in 2008. Inventory increased by \$5.6 million due to the purchase of combustion components for the Unit 8 upgrade scheduled for 2010. These parts have a very long acquisition lead time.

2007 vs. 2006: The decrease of \$19 million in general cash was due to regulatory orders requiring cash from third party gas sales be restricted for future BRU construction and gas purchases as well as restricting cash repaid from the loan from the gas fund to the electric fund (see Note 8(a) and (c)). Utility customer receivables increased by \$2 million because the COPA went from being over-collected in 2006 to being under-collected in 2007. Other receivables decreased by \$1.7 million. The reason for the decrease is because all major billings for

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

the Eklutna transmission line rebuild grant have been completed and payments received. Inventory increased by \$3.2 million due to the purchase of spare parts for the new Unit 3, and maintenance parts for Units 5 and 7.

Restricted Assets

Restricted assets increased by \$15.3 million at the end of 2008 compared to a decrease of \$3 million at the end of 2007. Components of the changes were:

	2008 vs. 2007	2007 vs. 2006
Increase (decrease) in restricted equity in general cash pool for customer deposits	\$ 108,366	(79,702)
Increase (decrease) in revenue bond operations and maintenance	1,050,000	(400,000)
Decrease in equity in construction cash pool	(11,022,952)	(20,461,780)
Increase (decrease) in debt service account	366,944	(1,544,759)
Increase in future natural gas purchases investments	1,875,462	1,911,260
Increase in future natural gas purchases or BRU construction investments	24,060,929	16,681,798
Increase (decrease) in revenue bond reserve investments	(1,132,147)	889,461
Change in restricted assets	<u>\$ 15,306,602</u>	<u>(3,003,722)</u>

Explanation of changes:

2008 vs. 2007: The revenue bond operations and maintenance reserve increased \$1 million due to increased operating expenses in 2008. The Utility's bond covenants require the maintenance of restricted cash in the amount equal to one-eighth of the operating expenses of the preceding year. Equity in the construction cash pool decreased by \$11 million due to expenditures on construction projects on new gas wells at the BRU; future natural gas purchases investment increase of \$1.9 million as required by RCA Order No. U-06-89(2) (see Note 8(a)); increase of \$24 million in investment for future natural gas purchases or BRU construction as required by RCA Order No. U-07-45(2) (see Note 8(c)); revenue bond reserve investments decreased \$1.1 million in 2008 due to the reduction of the required restricted investment.

2007 vs. 2006: Equity in the construction cash pool decreased by \$20.5 million due to completion of the Unit 3 installation; future natural gas purchases investment account increase of \$1.9 million as required by RCA Order No. U-06-89(2) (see Note 8(a)); and an increase of \$16.7 million in investment for future natural gas purchases or BRU construction as required by RCA Order No. U-07-45(2) (see Note 8(c)).

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Plant

Plant increased by \$12 million at the end of 2008 compared to an increase of \$14.3 million at the end of 2007. Components of the changes were:

	2008 vs. <u>2007</u>	2007 vs. <u>2006</u>
Increase in plant in service at cost	\$ 20,930,851	63,851,801
Less increase in accumulated depreciation and depletion	10,561,069	20,790,924
Decrease in intangible plant	(403,802)	(403,802)
Decrease in plant acquisition adjustment	-	(111,182)
Increase (decrease) in construction work in progress	<u>2,037,197</u>	<u>(28,160,712)</u>
Change in plant	<u>\$ 12,003,177</u>	<u>14,385,181</u>

Explanation of Changes:

2008 vs. 2007: Plant in service at cost increased by \$21 million in 2008 due to the completion of several major projects such as: BRU gas wells \$18 million; Unit 8 combustion and major overhaul \$3.5 million; Unit 4 major overhaul \$3 million; Glenn Bragaw interchange \$1.6 million. Accumulated depreciation and depletion increased by \$10.6 million due to the following: accumulated depreciation on electric plant increased by \$12.7 million offset by retirements of \$16 million (net of cost of removal and salvage); gas plant accumulated depreciation and depletion increased by \$13.9 million due to the methodology used to deplete gas plant (see Note 1(g)). Construction work in progress increased by \$2 million due to several projects that were not completed at year-end such as: a new substation 14 for \$3.3 million; Southcentral Power Project expenditures of \$2 million; APA substation modification at \$1.7 million.

2007 vs. 2006: Plant in service at cost increased by \$63.9 million in 2007 due to the completion of several major projects such as: Unit 3 LM2500+, \$27.5 million; BRU gas compression project, \$13.8 million; Eklutna transmission line rebuild, \$10.2 million; Unit 8 hot gas path inspection, \$4.6 million; Port of Anchorage tidewater underground relocation, \$2.7 million; Fireweed and Latouche relocation, \$1.8 million; Unit 7 generator major overhaul, \$1.5 million; administration building HVAC and roof upgrade, \$1.2 million and replacement vehicles, \$1.2 million. Accumulated depreciation and depletion increased by \$20.8 million due to the following: accumulated depreciation on electric plant was \$11.5 million offset by retirements of \$5.5 million (net of cost of removal and salvage); gas plant accumulated depreciation and depletion was \$14.8 million. The increase in gas plant accumulated depreciation and depletion is due to the methodology used to deplete gas plant (see Note 1(g)). Construction work in progress decreased by \$28.2 million due to the completion of several large projects as referenced above.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

The Utility's changes in total liabilities are explained as follows:

Long -Term Obligations

Long-term obligations decreased by \$17.4 million at the end of 2008 compared to a decrease of \$16.5 million at the end of 2007. Components of the changes were:

	2008 vs. 2007	2007 vs. 2006
Decrease in revenue bonds payable after one year	\$ (16,487,569)	(16,394,447)
Decrease in revenue bonds payable within one year	(25,000)	(430,000)
Increase (decrease) in long-term employer obligations	(920,985)	311,893
Change in long-term obligations	\$ (17,433,554)	(16,512,554)

Explanation of changes:

2008 vs. 2007: Long-term obligations decreased in 2008 as a result of making \$17.3 million in principal payments and \$.8 million in net amortization of premiums, discounts, and losses on reacquired debt. Long-term employer obligations decreased by \$.9 million due to the passing of Senate Bill 125 by the Alaska State Legislature on April 9, 2008. This Bill amended the structure of the PERS Tier I-III Defined Benefit Plan changing it from a defined benefit agent multiple-employer plan to a cost-sharing multiple-employer retirement plan effective July 1, 2008.

2007 vs. 2006: Long-term obligations decreased in 2007 as a result of making \$17.7 million in principal payments and \$.9 million in net amortization of premiums, discounts, and losses on reacquired debt, and reducing revenue bonds payable within one year, which is transferred from revenue bonds payable after one year by \$.4 million. Long-term employer obligations increased by \$.3 million due to the addition of other postemployment benefit obligations and an increase to net pension obligations.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Other Liabilities

Other liabilities increased \$41.3 million in 2008 compared to a decrease of \$3.7 million at the end of 2007. Components of the changes were:

	2008 vs. <u>2007</u>	2007 vs. <u>2006</u>
Increase (decrease) in accounts payable from current assets	\$ 10,945,542	(13,999,150)
Increase in accrued expenses	61,075	27,012
Increase (decrease) in compensated absences payable	(42,277)	59,618
Increase in payroll liabilities	920,670	-
Decrease in accrued interest	(78,714)	(195,125)
Decrease in accounts payable from restricted assets	(3,738)	(951,366)
Increase (decrease) in customer deposits	108,366	(79,702)
Increase (decrease) in customer advances for construction	492,337	(28,331)
Increase (decrease) in contributions in aid of construction	1,649,742	(2,564,058)
Increase in other deferred credits and regulatory liabilities	<u>27,273,217</u>	<u>14,044,355</u>
Change in other liabilities	<u>\$ 41,326,220</u>	<u>(3,686,747)</u>

Explanation of changes:

2008 vs. 2007: The increase of \$41.3 million in other liabilities in 2008 is related to the following: accounts payable from current assets increased by \$10.9 million; payroll liabilities increased by \$.9 million; \$1.6 million increase in contributions in aid of construction, and an increase of \$27.3 million in other deferred credits and regulatory liabilities. Of the \$10.9 increase in accounts payable from current assets, \$5.1 million is outstanding work in progress for the joint interest billing from Conoco-Phillips for the Utility's proportionate share of monthly BRU expense along with \$3.3 million for November and December outstanding invoices from Conoco-Phillips, \$1 million for BRU royalties, and \$1.7 million of outstanding invoices for the purchase of combustion components for the Unit 8 upgrade scheduled for 2010. The \$.9 million increase in payroll liabilities is a result of the Municipality reclassifying year-end payroll liabilities from an agency fund to the Utility. The \$1.6 million increase in contributions in aid of construction represent construction projects closed to plant in service that were funded from gas sales restricted for BRU construction (see Note 8(c)). Other deferred credits and regulatory liabilities increased by \$27 million with the recording of gas sales as a liability per RCA Order No. U-07-45(2) (see Note 8(c)).

2007 vs. 2006: The decrease of \$3.7 million in other liabilities in 2007 is related to the following: accounts payable from current assets decreased by \$14 million; payables from restricted assets decreased \$1 million; and contributions in aid of construction decreased \$2.6 million, offset by an increase of \$14 million in other deferred credits and regulatory liabilities. Of the \$14 million decrease in accounts payable from current assets, \$7.5 million is related to COPA, which went from being over-collected in 2006 to being under-collected in 2007. Accounts payable decreased by \$6.5 million with the major portion of the decrease due to the reduction in the amount payable to the operators of the gas field. This decrease was due to the completion of the BRU gas

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

compressor project, which in turn reduced joint interest billings at year-end. The completion of the construction phase of the Eklutna Transmission Line Upgrade Project reduced accounts payable from restricted assets by \$1 million. Contributions in aid of construction decreased by \$2.6 million in part due to the completion of the Eklutna Transmission Line Upgrade Project and reclassifying the Utility's 53.33 percent ownership share to plant in service. Other deferred credits increased by \$14 million with the recording of gas sales as a liability per RCA Order No. U-07-45(2) (see Note 8(c)).

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Management's Discussion and Analysis

December 31, 2008 and 2007

Changes in the Utility's net assets can be determined by reviewing the following condensed schedule of revenues, expenses, and changes in fund net assets for the years ended December 31, 2008, 2007, and 2006:

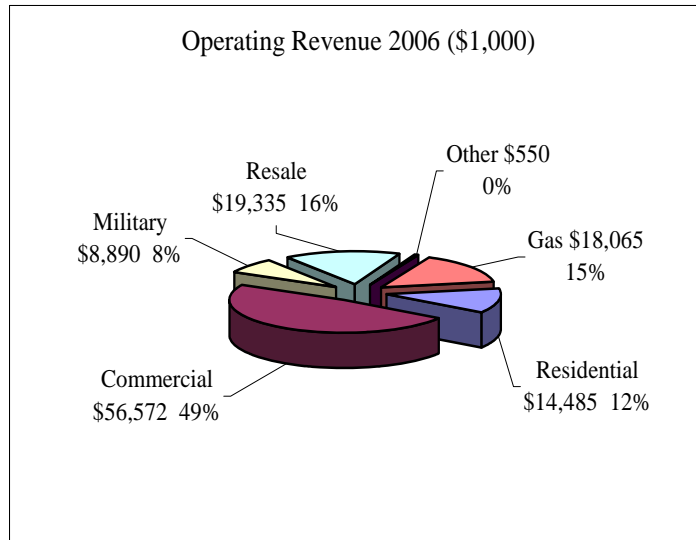
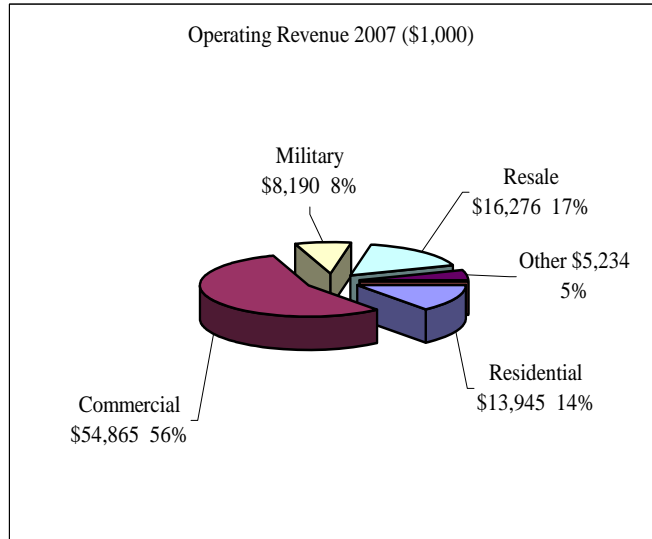
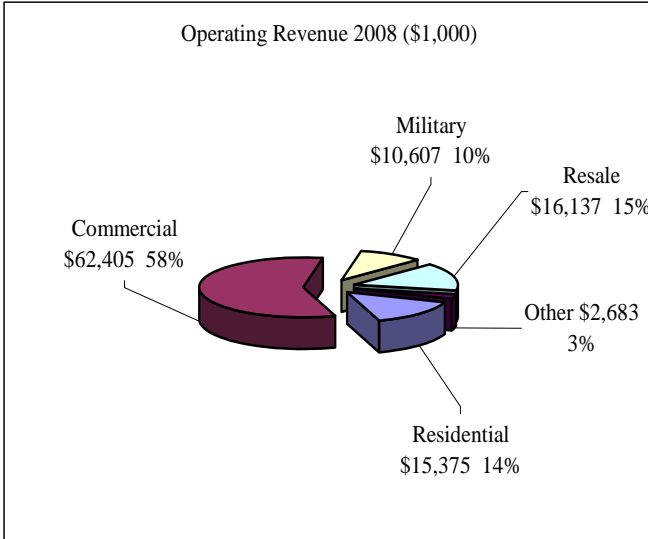
	Years ended December 31,		
	2008	2007	2006
Operating revenues:			
Residential sales	\$ 15,375,276	13,945,048	14,485,681
Commercial and industrial sales	62,405,290	54,864,868	56,572,183
Military sales	10,607,417	8,189,652	8,889,865
Sales for resale	16,137,134	16,275,894	19,335,030
Other operating revenues	2,682,686	5,234,168	549,654
Gas sales	-	-	18,065,200
Operating revenues	<u>107,207,803</u>	<u>98,509,630</u>	<u>117,897,613</u>
Nonoperating revenues	<u>839,102</u>	<u>5,947,372</u>	<u>5,404,488</u>
Total revenues	<u>108,046,905</u>	<u>104,457,002</u>	<u>123,302,101</u>
Expenses:			
Production	36,251,077	30,645,002	26,668,092
Transmission	512,068	703,652	875,083
Distribution	8,893,177	7,784,220	7,784,563
Customer service and sales	3,499,192	3,355,697	3,392,117
Administrative and general	9,551,094	8,622,162	7,747,247
Taxes other than income	587,813	418,056	1,577,507
Regulatory debits (credits)	(6,872,354)	(12,231,777)	9,537,874
Depreciation	25,932,754	25,994,753	24,385,773
Nonoperating expenses	<u>11,972,783</u>	<u>12,103,182</u>	<u>13,941,660</u>
Total expenses	<u>90,327,604</u>	<u>77,394,947</u>	<u>95,909,916</u>
Income before transfers and special item	17,719,301	27,062,055	27,392,185
Transfer (to) from other funds:			
Municipal Utility Service Assessment (MUSA)	(4,314,224)	(3,671,080)	(3,550,557)
Miscellaneous grant fund	(1,500)	-	-
Medical/Dental Self-Insurance Fund	93,205	-	-
Dividend	(5,192,306)	(5,969,152)	(5,964,169)
Special item -NPO/OPEB write-off	<u>920,985</u>	<u>-</u>	<u>-</u>
Change in net assets	9,225,461	17,421,823	17,877,459
Beginning net assets	214,491,749	197,069,926	179,192,467
Ending net assets	<u>\$ 223,717,210</u>	<u>214,491,749</u>	<u>197,069,926</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Revenues:



**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Total revenues increased by \$3.7 million at the end of 2008 compared to a decrease of \$18.8 million at the end of 2007. Components of the changes were:

	FY 2008-2007	FY 2007-2006
	<u>Net change</u>	<u>Net change</u>
Increase (decrease) in residential sales	\$ 1,430,228	(540,633)
Increase (decrease) in commercial and industrial sales	7,540,422	(1,707,315)
Increase (decrease) in military sales	2,417,765	(700,213)
Decrease in sales for resale	(138,760)	(3,059,136)
Increase (decrease) in other operating revenues	(2,551,482)	4,684,514
Decrease in gas sales	-	(18,065,200)
Increase (decrease) in nonoperating revenues	(5,108,270)	542,884
Increase in transfers from other funds	93,205	-
Change in revenues and transfers from other funds	<u>\$ 3,683,108</u>	<u>(18,845,099)</u>

Explanation of changes:

2008 vs. 2007:

- Residential, commercial and industrial sales revenue increased due to a higher COPA resulting from the methodology change in the calculation of the gas transfer price (see Note 8(c)).
- Military sales revenue increased due to an increase in kilowatt hour sales of 12.1 million due to troops returning to the base and a higher COPA rate for 2008.
- Other operating revenues decreased due to under-billed COPA revenues being less as a result of the higher COPA rates applied to customer billings in 2008.
- Nonoperating revenues decreased due to lower interest rates and the recording of unrealized losses on investments in 2008.

2007 vs. 2006:

- Residential, commercial and industrial sales revenue decreased due to a lower COPA.
- Military sales revenue decreased due to a decrease in kilowatt hour sales of 2.9 million due to troop deployment and lower COPA rates for the first half of 2007.
- Sales for resale decreased due to a decrease of \$5.3 million in sales of economy energy to Golden Valley Electric Association (GVEA) which can fluctuate depending on CEA's ability to provide GVEA with power under their contract, how many railbelt electric utilities have generation equipment out of service, the cost of fuel, and how Utility prices for economy energy sales compare to the other utilities' cost to

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

generate power. Sales to CEA increased by \$2.2 million in 2007 due to CEA's turbine maintenance requirements.

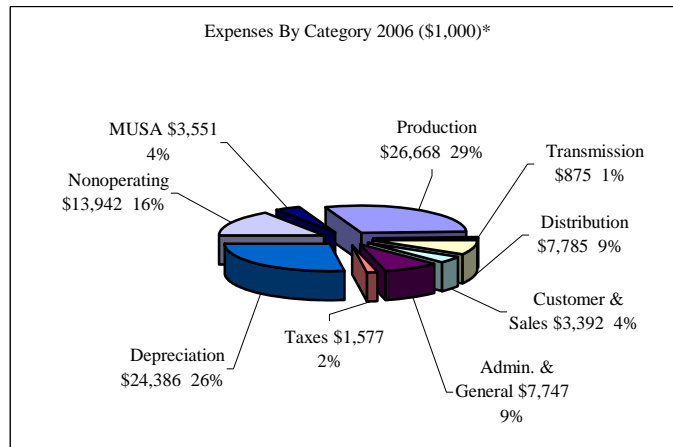
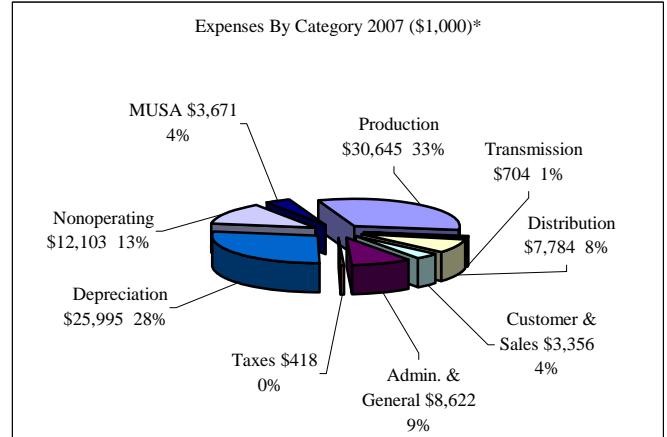
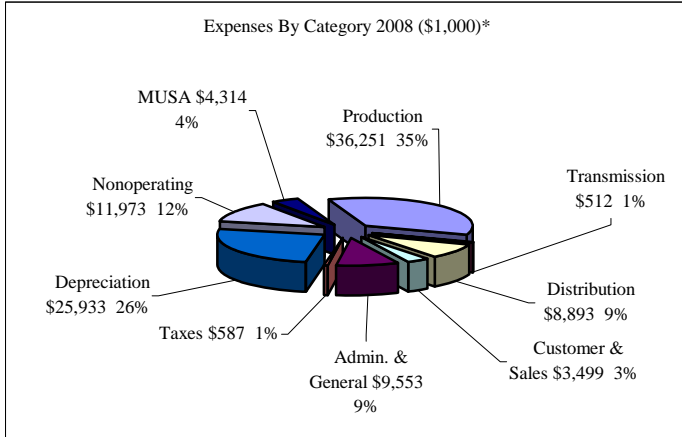
- Other operating revenues increased due mainly to COPA being under-billed in 2007.
- Gas sales decreased due to RCA Order No. U-07-45(2) requiring gas sales proceeds be recorded as a regulatory liability rather than as revenues. These proceeds are to be used for future BRU construction projects or for future gas purchases (see Note 8(c)).
- Nonoperating revenues increased due to higher interest rates.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Expenses:



*Expenses by category excluding regulatory debits (credits)

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Total expenses increased by \$13.6 million at the end of 2008 compared to a decrease of \$18.4 million at the end of 2007. Components of the changes were:

	FY 2008-2007	FY 2007-2006
	<u>Net change</u>	<u>Net change</u>
Increase in production expense	\$ 5,606,075	3,976,910
Decrease in transmission expense	(191,584)	(171,431)
Increase (decrease) in distribution expense	1,108,957	(343)
Increase (decrease) in customer service and sales expense	143,495	(36,420)
Increase in administrative and general expense	928,932	874,915
Increase (decrease) in regulatory debits (credits) expense	5,359,423	(21,769,651)
Increase (decrease) in taxes other than income	169,757	(1,159,451)
Increase (decrease) in depreciation and amortization	(61,999)	1,608,980
Decrease in non-operating expense	(130,399)	(1,838,478)
Increase in Municipal Utility Service Assessment	643,144	120,523
Increase in transfers to other funds	1,500	-
Change in expenses and transfers to other funds	<u>\$ 13,577,301</u>	<u>(18,394,446)</u>

Explanation of changes:

2008 vs. 2007:

- Production expense increased by \$5.6 million with most of the increase associated with the BRU. The Utility expensed \$3 million for one well work over. Gas royalty expense increased \$1.4 million due to an increase in the royalty valuation of gas. The average royalty valuation in 2008 was \$3.82 per thousand cubic feet (Mcf) compared to \$3.12 per Mcf in 2007. The BRU management fee from Conoco-Phillips increased by 12% or by \$.9 million in 2008.
- Distribution expense increased by \$1.1 million due to increases in the cost of labor, materials, and services.
- Regulatory debits (credits) expense increased \$5.4 million due to the difference in the estimated gas transfer price that is charged to the electric fund for gas from the BRU and the actual price of the gas as computed in the gas revenue requirement. The difference is recorded on the Statements of Revenues, Expenses, and Changes in Fund Net Assets and on the Balance Sheets as an asset or liability to be included in the following year's estimated price calculation. The rate setting methodology for the gas transfer price requires that the price for each gas transfer price year (i.e. July 1 through June 30) be set at a rate that, if applied during the fiscal year, would recover the estimated costs for that year plus (minus) any under (over)-recovered balance existing as of the end of the prior fiscal year. The difference between 2007 and 2008 can be explained by the 2007 beginning of year over-recovery of \$9.95 million, less the 2008 beginning of year under-recovery balance of \$2.3 million, less an under-estimation of \$2.2 million in expenses in 2008. At the beginning of year 2007, the Utility had a cumulative balance of \$9.95

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Management's Discussion and Analysis

December 31, 2008 and 2007

million more in revenues than expenses in the gas clearing account. At July 1, 2007 the Utility changed its method of calculating the gas transfer price by diverting proceeds from third-party gas sales into a separate account. A new gas transfer price was set at July 1, 2007 resulting in the Utility collecting \$12.2 million less in revenues than expenses by year-end 2007. During 2008 the Utility collected \$6.8 million less in revenues than expenses, resulting in a cumulative under-recovery of \$9.1 million.

2007 vs. 2006:

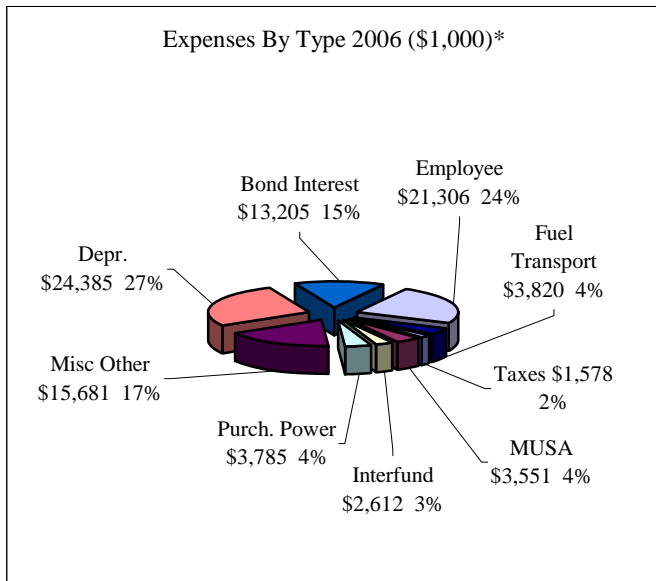
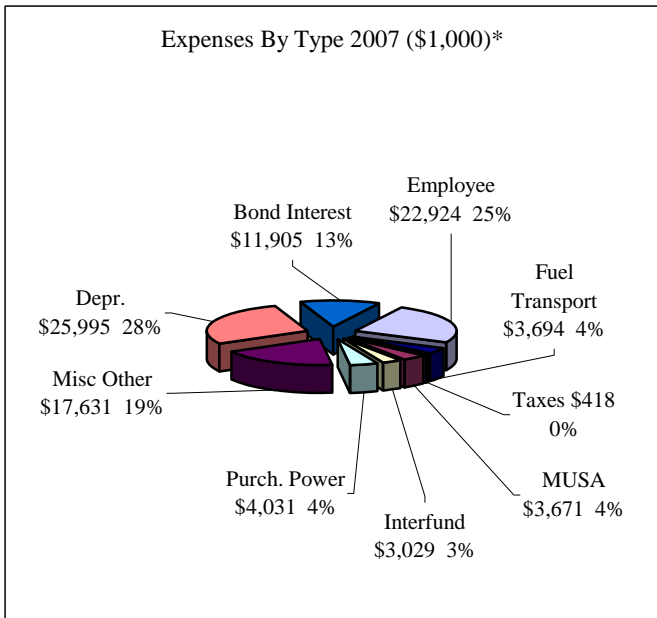
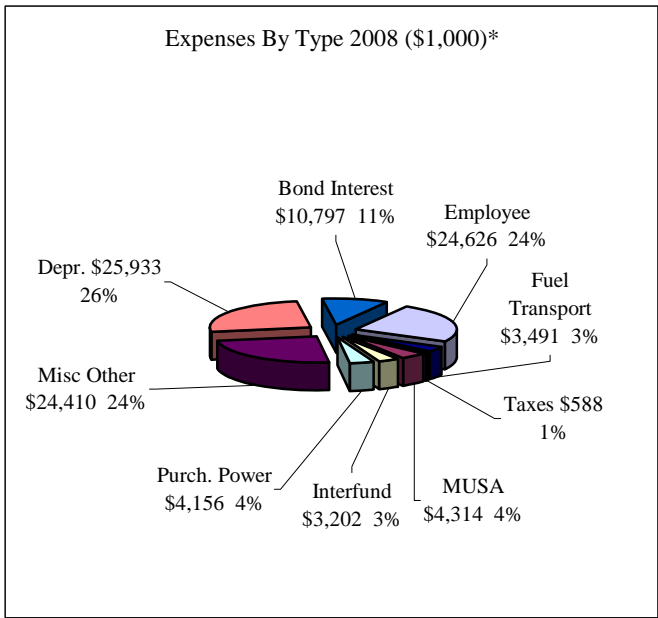
- Production expense increased mainly due to gas royalty expense. Royalty expense increased by \$2.6 million due to an increase in the royalty valuation of gas. The average royalty valuation in 2007 was \$3.12 per Mcf compared to \$1.59 per Mcf in 2006. The main reason for the increase gas royalty expense is that the valuation is based on the sales price of gas to CEA on the Federal royalties rather than the gas transfer price for the State royalties. In addition to the increase in royalty valuation, there was \$.3 million in amortization resulting from the MMS Audit (see Note 7(c)).
- Regulatory debits (credits) expense decreased due to the difference in the estimated gas transfer price that is charged to the electric fund for gas from the BRU and the actual price of the gas as computed in the gas revenue requirement. The difference is recorded on the Statements of Revenues, Expenses, and Changes in Fund Net Assets and on the Balance Sheets as an asset or liability to be included in the following year's estimated price calculation. The rate setting methodology for the gas transfer price requires that the price for each gas transfer price year (i.e. July 1 through June 30) be set at a rate that, if applied during the fiscal year would recover the estimated costs for that year plus (minus) any under (over)-recovered balance existing as of the end of the prior fiscal year. During 2006, the Utility over-recovered \$9.5 million. The gas transfer price was therefore adjusted to produce an under-recovery for 2007 to bring the balance to zero. The under-recovery for 2007 was slightly more than forecast leaving an under-recovered balance of approximately \$2.3 million. This balance is within an expected range, and results from the fact that the gas transfer price is set based on forecasts, and the gas transfer price year is offset by 6 months from the fiscal year on which it is based.
- Taxes other than income decreased when the State of Alaska Department of Revenue Tax Division implemented the Petroleum Production Tax (PPT). The Utility's production tax value and production tax liability under AS 43.55.011(e) is zero (see Note 7(b)).
- Depreciation and amortization expense increased because of two major methodologies used to deplete gas field assets. The first is that the depletion methodology used for the original acquisition of gas assets is linked to the principal payment (see Note 1(g)). The principal payment in 2007 was \$10.1 million on gas field related debt and was \$9.5 million in 2006. The second method is based on RCA docket U-05-97 (1) restricting the use of the funds received from the 2004 gas underlift to fund new capital projects and improvements at Beluga. The depletion of the plant funded with underlift proceeds utilizes the units of production method. The depletion expense for the underlift proceeds was \$2.3 million in 2007. Depreciation expense on electric plant decreased by \$1.3 million due to the implementation of new depreciation rates approved by the RCA.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

- Nonoperating expense decreased in part due to a reduction in the amount of interest paid on long-term debt resulting from less outstanding debt in 2007. Allowance for funds used during construction was also a factor in reducing nonoperating expense because of the increase in spending on capital construction projects.



*Expenses by type excluding regulatory debits (credits)

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Change in Net Assets

Change in Net Assets decreased by \$8.2 million at the end of 2008 compared to a decrease of \$.5 million at the end of 2007. Components of the changes were:

	FY 2008-2007	FY 2007-2006
	<u>Net change</u>	<u>Net change</u>
Decrease in income before transfers and special item	\$ (9,342,754)	(330,130)
(Increase) in MUSA	(643,144)	(120,523)
(Increase) in transfer to other funds	(1,500)	-
Increase in transfer from other funds	93,205	-
(Increase) decrease in dividend to the Municipality	776,846	(4,983)
Increase in special item	920,985	-
Decrease in the change of net assets	<u>\$ (8,196,362)</u>	<u>(455,636)</u>

Explanation of changes:

2008 vs. 2007: The Utility's change in net assets decreased by \$8.2 million in 2008, largely as a result of a decrease in income before transfers and special item, which was covered in the explanation of revenues and expense section. The increase of \$.6 million in the MUSA is a result of slightly higher mill rates and an increased net book value of plant. The \$.8 million increase in the MUSA was offset by a \$.2 million reduction in the payment of the gross receipts component of MUSA. This decrease is a result of lower operating income in 2007, which the 2008 payment is based on. The \$.8 million decrease in the dividend payment to the Municipality is also a result of lower operating income in 2007, which the 2008 dividend is based on. The \$.9 million increase in special item revenue is a result of the State of Alaska Legislature passing SB125 on April 9, 2008. This Bill amended the structure of the PERS Tier I-III Defined Benefit Plan changing it from a defined benefit agent multiple-employer plan to a cost-sharing multiple-employer retirement plan.

2007 vs. 2006: The Utility's change in net assets decreased by only \$.5 million in 2007. The major part of this decrease was in income before transfers and special item which was covered in the explanations of revenues and expenses section of this MD&A.

Bond Rating

Standard & Poor's Rating Services on September 26, 2005, raised its rating from "A" to "A+" on all of the Utility's outstanding parity bonds, and assigned its "A+" rating to the Utility's \$107.1 million Senior Lien Electric Revenue Refunding Bonds Series 2005A.

Fitch Ratings on June 29, 2006 raised its rating from "A" to "A+" on the Utility's Senior Lien Electric Revenue Bonds. On January 9, 2009, Fitch affirmed its "A+" rating on approximately \$107 million of outstanding revenue bonds.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

Moody's Investors Service on September 28, 2005, assigned an "A1" rating to the Utility's Senior Lien Electric Revenue Refunding Bonds Series 2005A and upgraded from "A3" to "A1" its ratings on the Utility's other outstanding parity obligations.

On December 1, 2008, the Utility's Junior Lien Electric Revenue Refunding Bonds, Series 2005B (Taxable), rated A+ from Standard & Poor's, A+ from Fitch, and A1 by Moody's were amortized in full and no longer remain outstanding.

Budgetary Highlights

On November 25, 2008 an ordinance adopting and appropriating funds for the 2009 Municipal Utilities' Operating and Capital Budgets for the Municipality was approved. The Utility's Operating Budget was \$121.6 million, and the Capital Budget was \$131.5 million, which includes \$77 million for new generation and \$12.3 million for the BRU. The Utility anticipates spending approximately 25% of the new generation capital budget in 2009 with the remainder being spent in 2010. The Utility anticipates a bond sale in late summer of 2009 to supplement funding of the 2009 through mid-2011 capital spending program.

On November 29, 2007 an ordinance adopting and appropriating funds for the 2008 Municipal Utilities' Operating and Capital Budgets for the Municipality was approved. The Utility's Operating Budget was \$103.8 million, and the Capital Budget was \$56.1 million, which includes \$13.4 million for the BRU.

The Utility's 2008 actual total transfers and expenses of \$94.6 million were \$9.1 million or 9% under budget, due principally to the regulatory credit being larger than planned, which represents the difference in the gas fund revenues requirement and the gas transfer price the fund charged the electric fund for gas used to generate electricity. Also, the bond sale that was anticipated for the fall of 2008 was delayed to late summer of 2009 resulting in less than budgeted interest on bond debt. Capital expenditures for plant improvements totaled \$37.9 million.

The Utility's 2007 actual total transfers and expenses of \$81.1 million were \$13.2 million or 14% under the revised budget, due principally to the regulatory credit, which represents the difference in the gas fund revenue requirement and the gas transfer price the gas fund charged the electric fund for gas used to generate electricity. Also, new depreciation rates went into effect January 1, 2007, which resulted in lower depreciation expenses. Capital expenditures for plant improvements totaled \$47.6 million, which includes unspent prior year appropriations.

Economic Factors and Rates

Operating revenues for 2009 are projected to increase \$13.5 million or 12% above the 2008 budget. Sales for resale had a budgeted increase of 55% above the 2008 budget, but may not be realized due to fuel constraints and a decrease in the price of oil worldwide, which tends to dampen the demand for economy energy.

Operating expenses for 2009 are budgeted to increase \$15.8 million or 19% from the 2008 budget due to a \$13 million increase in regulatory debits (credits). Because the Utility under-collected its revenue requirement in 2008, 2009 rates will be higher in order to recover that under-collection.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Management's Discussion and Analysis

December 31, 2008 and 2007

In Order No. U-99-139(17), the RCA required the Utility to file a depreciation study within three years of the date of the order. Depreciation rates are particularly important in utility accounting because the overall level of rates and rate design are both based, in part, on the Utility's reported depreciation. The Utility complied with the order by timely filing its depreciation study on January 23, 2006. On December 29, 2006, the RCA issued Order No. U-06-006(3) accepting a stipulation between the Utility and the Attorney General establishing all of the Utility depreciation rates, effective January 1, 2007, and requiring the Utility to file revenue requirement and cost of service studies based on a 2007 test year by June 30, 2008. The Utility timely complied with that order and filed the required studies.

Contacting the Utility's Financial Management

This financial report is designed to provide our customers, citizens, and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Utility's Chief Financial Officer and Assistant General Manager at (907) 263-5205.

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**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Balance Sheets

December 31, 2008 and 2007

Assets	<u>2008</u>	<u>2007</u>
Plant:		
Plant in service, at cost	\$ 575,714,104	554,783,253
Less accumulated depreciation and depletion	<u>234,210,639</u>	<u>223,649,570</u>
Net plant in service	341,503,465	331,133,683
Intangible plant, net	3,024,528	3,428,330
Construction work in progress	<u>15,182,911</u>	<u>13,145,714</u>
Total plant	<u>359,710,904</u>	<u>347,707,727</u>
Restricted assets:		
Current:		
Restricted equity in general cash pool – customer deposits	1,202,234	1,093,868
Revenue bond operations and maintenance	8,000,000	6,950,000
Equity in construction cash pool	-	11,022,952
Debt service account	2,193,273	1,826,329
Future natural gas purchases investment	3,786,722	1,911,260
Future natural gas purchases or BRU construction	40,742,727	16,681,798
Noncurrent:		
Revenue bond reserve investments	<u>26,143,690</u>	<u>27,275,837</u>
Total restricted assets	<u>82,068,646</u>	<u>66,762,044</u>
Current assets:		
Equity in general cash pool	11,081,787	18,459,716
Net accounts receivable:		
Utility customers, less estimated uncollectibles of \$93,583 in 2008 and \$80,819 in 2007	19,650,578	10,191,075
Other receivables, less estimated uncollectibles of \$83,875 in 2008 and \$47,693 in 2007	2,044,075	3,624,891
Accrued interest	424,634	457,988
Unbilled reimbursable projects	203,778	28,876
Inventory of materials and supplies, at average cost	<u>22,735,241</u>	<u>17,143,128</u>
Total current assets	<u>56,140,093</u>	<u>49,905,674</u>
Deferred charges and other assets:		
Current:		
Miscellaneous deferred charges and other assets	177,584	187,160
Noncurrent:		
Long-term notes receivable	4,116,253	3,923,402
Miscellaneous deferred charges and other assets	2,510,483	2,880,971
Unamortized debt expense	<u>1,065,200</u>	<u>1,304,056</u>
Total deferred charges and other assets	<u>7,869,520</u>	<u>8,295,589</u>
Total assets	<u>\$ 505,789,163</u>	<u>472,671,034</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Balance Sheets

December 31, 2008 and 2007

Liabilities and Net Assets	2008	2007
Current liabilities (payable from current assets):		
Accounts payable	\$ 15,634,511	4,688,968
Accrued expenses	163,854	102,779
Compensated absences payable	2,004,853	2,047,130
Accrued payroll liabilities	920,670	-
Accrued interest	833,501	912,215
Total current liabilities	<u>19,557,389</u>	<u>7,751,092</u>
Current liabilities (payable from restricted assets):		
Accounts payable	-	3,738
Customer deposits	1,202,234	1,093,868
Customer advances for construction	502,983	10,646
Total current liabilities (payable from restricted assets)	<u>1,705,217</u>	<u>1,108,252</u>
Deferred liabilities:		
Contributions in aid of construction (net of amortization)	30,671,798	29,022,056
Other deferred credits and regulatory liabilities	70,731,758	43,458,540
Total deferred liabilities	<u>101,403,556</u>	<u>72,480,596</u>
Long-term obligations:		
Revenue bonds payable:		
Payable after one year	142,135,791	158,623,360
Payable within one year	17,270,000	17,295,000
Total revenue bonds payable	<u>159,405,791</u>	<u>175,918,360</u>
Long-term employer obligations:		
Net pension obligations	-	801,565
Net other postemployment obligations	-	119,420
Total long-term employer obligations	<u>-</u>	<u>920,985</u>
Total long-term obligations	<u>159,405,791</u>	<u>176,839,345</u>
Total liabilities	<u>282,071,953</u>	<u>258,179,285</u>
Net assets:		
Invested in capital assets (net of related debt)	169,633,315	142,767,311
Restricted for debt service	27,503,462	28,189,951
Restricted for capital projects	-	15,632,892
Unrestricted	26,580,433	27,901,595
Total net assets	<u>223,717,210</u>	<u>214,491,749</u>
Total liabilities and net assets	<u>\$ 505,789,163</u>	<u>472,671,034</u>

See accompanying notes to basic financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended December 31, 2008 and 2007

	2008	2007
Operating revenues:		
Residential sales	\$ 15,375,276	13,945,048
Commercial and industrial sales	62,405,290	54,864,868
Military sales	10,607,417	8,189,652
Sales for resale	16,137,134	16,275,894
Other operating revenues	2,682,686	5,234,168
Total operating revenues	107,207,803	98,509,630
Operating expenses:		
Production	36,251,077	30,645,002
Transmission	512,068	703,652
Distribution	8,893,177	7,784,220
Customer service and sales	3,499,192	3,355,697
Administrative and general	9,551,094	8,622,162
Regulatory credits	(6,872,354)	(12,231,777)
Taxes other than income	587,813	418,056
Depreciation and amortization	25,932,754	25,994,753
Total operating expenses	78,354,821	65,291,765
Total operating income	28,852,982	33,217,865
Nonoperating revenues:		
Interest:		
Short-term investments	325,235	4,871,865
Restricted investments	19,787	610,882
Total interest	345,022	5,482,747
Other revenues	494,080	464,625
Total nonoperating revenues	839,102	5,947,372
Nonoperating expenses:		
Interest:		
Long-term obligations	10,558,085	11,615,238
Other interest	1,239,931	1,128,301
Total interest	11,798,016	12,743,539
Allowance for funds used during construction	(570,753)	(1,631,778)
Amortization of deferred charges	238,856	289,712
Other expenses	506,664	701,709
Total nonoperating expenses	11,972,783	12,103,182
Total nonoperating revenues (expenses)	(11,133,681)	(6,155,810)
Transfers (to) from other funds:		
Municipal Utility Service Assessment	(4,314,224)	(3,671,080)
Miscellaneous grant fund	(1,500)	-
Medical/Dental Self-Insurance Fund	93,205	-
Total transfers (to) from other funds	(4,222,519)	(3,671,080)
Special item-NPO/OPEB write-off	920,985	-
Income before dividend	14,417,767	23,390,975
Transfer (dividend)	(5,192,306)	(5,969,152)
Change in net assets	9,225,461	17,421,823
Net assets – beginning of year	214,491,749	197,069,926
Net assets – end of year	\$ 223,717,210	214,491,749

See accompanying notes to basic financial statements.

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**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from customers	\$ 131,258,353	118,177,299
Other operating cash receipts	4,934,963	4,141,085
Payments to employees	(23,463,414)	(20,680,293)
Payments to vendors	(35,701,328)	(52,272,403)
Internal activity – payments made to other funds	(1,922,132)	(1,861,978)
Internal activity – payments received from other funds	641,777	3,498,539
Net cash provided by operating activities	75,748,219	51,002,249
Cash flows from noncapital and related financing activities:		
Transfers to other funds	(9,700,880)	(9,875,196)
Transfer from other funds	93,205	-
Net cash used by noncapital and related financing activities	(9,607,675)	(9,875,196)
Cash flows from capital and related financing activities:		
Principal payments on long-term obligations	(17,295,000)	(17,725,000)
Interest payments on long-term obligations	(10,946,579)	(12,027,979)
Acquisition and construction of fixed assets	(32,351,169)	(46,276,193)
Contributed capital – customers	1,140,600	4,011,923
Contributed capital – intergovernmental agencies	780,765	10,823
Grant proceeds - intergovernmental agencies	444,119	4,593,412
Payments for interfund services used	(1,033,682)	(1,370,958)
Cost recovery - transformer sale	818,420	-
Net cash used by capital and related financing activities	(58,442,526)	(68,783,972)
Cash flows from investing activities:		
Purchase of investments	(26,221,189)	(17,537,759)
Net interest received	230,656	5,629,002
Net cash used in investing activities	(25,990,533)	(11,908,757)
Net decrease in cash	(18,292,515)	(39,565,676)
Cash, beginning of year	30,576,536	70,142,212
Cash, end of year	\$ 12,284,021	30,576,536

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Reconciliation of change in net assets to net cash provided by operating activities:		
Operating income	\$ 28,852,982	33,217,865
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	25,932,754	25,994,753
Allowance for uncollectible accounts	48,946	(69,617)
Miscellaneous nonoperating revenues	494,080	464,625
Miscellaneous nonoperating expenses	(506,664)	(701,709)
Special item - NPO/OPEB write-off	920,985	-
Changes in assets and liabilities which increase (decrease) cash:		
Accounts receivable	(7,927,633)	(267,930)
Unbilled reimbursable projects	(174,902)	(19,621)
Inventories	(5,592,113)	(3,178,994)
Deferred charges and other assets	380,064	(1,531,229)
Net pension and other post employment benefits obligations	(920,985)	302,893
Accounts payable and accrued expenses	5,488,392	(17,204,726)
Deferred credits and regulatory liabilities	27,273,217	14,044,356
Customer deposits and deposits for construction	600,703	(108,035)
Compensated absences payable	(42,277)	59,618
Accrued payroll liabilities	920,670	-
Total cash provided by operating activities	\$ 75,748,219	51,002,249
Non-cash investing, capital and financing activities:		
Capital purchases on account	\$ 5,514,488	2,281,223
Portion of plant from AFUDC	570,753	1,631,778
Total noncash investing, capital and financing activities	\$ 6,085,241	3,913,001

See accompanying notes to basic financial statements.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

(1) Description of Business and Summary of Significant Accounting Policies

The first electric system serving Anchorage was installed in 1916 by the Alaska Engineering Commission, the agency of the United States Department of the Interior which constructed the Alaska Railroad. A small steam plant and diesel power generators supplied Anchorage with electricity until 1929 when the private Anchorage Power and Light Company began supplying the community with electricity from a hydroelectric power plant on the Eklutna River located 15 miles northeast of downtown Anchorage. The Alaska Engineering Commission distribution system was purchased by Anchorage in 1932. Anchorage then acquired the Eklutna plant from the Anchorage Power and Light Company in 1943. This is what is now Anchorage Municipal Light and Power or the Electric Utility Fund (Utility), a public utility of the Municipality of Anchorage (Municipality). The Utility now has seven turbine generating units (Unit) fired by natural gas and one heat recovery steam turbine generating unit. The Utility also has a fifty-three and one-third percent ownership interest in the Eklutna Hydroelectric Project and is entitled to twenty five and nine-tenths percent of the output of the Bradley Lake Hydroelectric Project. The Utility meets all of its natural gas requirements from its one-third ownership interest in the Beluga River Gas Field, which it acquired in December, 1996. The Utility's goal in acquiring the one-third working interest in the Beluga River Unit (BRU) was to lock in a critical resource for the long term and provide a hedge against anticipated future increase in natural gas prices.

The accompanying financial statements include the activities of the Utility. The Utility is subject to the regulatory authority of the Regulatory Commission of Alaska (RCA).

The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The Utility has elected not to apply certain pronouncements of the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins issued on or after November 30, 1989.

Accounting and reporting treatment applied to the Utility is accounted for on a flow of economic measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned and become measurable and expenses are recognized in the period incurred, if measurable. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

(a) *Financial Accounting Standards Board Statement No. 71, Accounting for the Effects of Certain Types of Regulation (SFAS 71)*

The Utility meets the criteria, and accordingly, follows the accounting and reporting requirements of SFAS 71. The Utility's rates are regulated by the RCA and as a result, revenues intended to recover certain costs are provided either before or after the costs are incurred, resulting in regulatory assets or liabilities. The following regulatory assets and liabilities are reflected in the accompanying financial statements:

- The Utility receives contributions in aid of construction, which the Utility records as contributed plant in service and a deferred liability. The Utility amortizes contributed plant

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

over the useful life of the utility plant and records the amortization as a reduction of the deferred liability.

- The Utility's rates also include an allowance for the cost of funds used during construction (AFUDC), which is capitalized in the accompanying financial statements. The rates used to capitalize AFUDC were 8.82% in 2008 and 8.63% in 2007.
- The Utility defers certain expenses, which are then amortized over the expected period of recovery from ratepayers.
- The Utility has established a regulatory debits (credits) account to capture the difference in the amount of the gas fund revenue requirement and the actual amount of revenue collected from the electric fund. The offset is a balance sheet account that is included in the computation of the gas fund revenue requirement for the following year.
- The Utility accepted a monetary settlement from its BRU partners for its 2005 underlift. After petitioning the RCA, the Utility utilized the money to fund construction of its Unit 3. For accounting purposes and rate setting, the transaction is being treated like a loan. As repayment is made, the funds are restricted for future gas purchases (see Note 8(a)).
- The Utility petitioned the RCA to change the methodology used to adjust the gas transfer price and record proceeds from the sales of gas, net of royalties, as a regulatory liability. On May 15, 2007 the RCA approved the Utility's petition (see Note 8(c)).

Management believes that the recorded amounts of all regulatory assets are fully recoverable from rate payers in the future.

(b) Management Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reporting of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

(c) Cash Pools and Investments

The Municipality uses a central treasury to account for all cash and investments to maximize interest income. Unexpended cash from a state grant, the net 2003 and 2004 underlift gas proceeds and the unexpended cash from the 2005 underlift to be used initially to fund construction of the Unit 3 replacement, are shown as equity in the construction cash pool; all general operating cash is shown as equity in the general cash pool. Interest income on cash pool investments is allocated to the Utility based on its monthly closing cash pool equity balances through June 2007. As of July 2007 interest income is distributed based on the average daily balance in the general cash pool. The Utility's investments are reported at fair value in the financial statements.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(d) *Statements of Cash Flows*

For purposes of the statements of cash flows, the Utility has defined cash as the demand deposits and all investments maintained in the cash pools, regardless of maturity period, since the Utility uses the cash pools essentially as a demand deposit account. Restricted assets, excluding revenue bond proceeds (as well as resources set aside for their payment) consist of investments that can be used as demand deposit accounts and therefore, those investments regardless of maturity, have been included in the definition of cash.

(e) *Restricted Assets*

Certain proceeds of the Utility's revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheets because their use is limited by applicable bond covenants. The revenue bond reserve investments account is used to report resources set aside to augment potential deficiencies from Utility operations that could adversely affect debt service payments. The debt service account is used to segregate resources accumulated for debt service payments over the next twelve months. The revenue bond operations and maintenance account represents funds set aside to comply with bond covenants requiring a reserve equal to one-eighth of the preceding year's operating expenses (as defined in the bond covenants). The restricted equity in general cash pool-customer deposits account represents deposits provided by electric service customers as security for bill payment. Equity in the construction cash pool is the cash restricted for construction either by bond covenants, grants or regulatory orders. Future natural gas purchases or BRU construction are funds for which the RCA has specified the use.

(f) *Inventories*

Inventories are valued at weighted average cost. The cost of inventories are recorded as expenditures when consumed rather than when purchased. Inventories consist of parts and materials used to maintain or build new transmission, distribution, and generation facilities.

(g) *Property, Plant and Equipment*

Electric

Capital assets are stated at cost. Depreciation is computed by use of the straight-line method over the estimated economic life of the asset. Additions to electric plant in service are at original cost of items such as contracted services, direct labor and materials, indirect overhead charges and interest during construction. The Utility capitalizes assets valued at more than \$1,000 that have an expected life in excess of one year. Contributed assets are recorded at the cost incurred by the Utility for the addition of such assets. Donated assets are recorded at the value the person donating the asset paid for it if known or the current estimated value if not known. For property replaced or retired, the cost of the property unit, plus removal costs less salvage, is charged to accumulated depreciation. Gain or loss on the sale or retirement of plant is not recognized except for extraordinary retirements.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

Estimated lives of major plant and equipment categories follow:

Production plant	20 - 90 years
Hydraulic plant	40 - 45 years
Transmission plant	37 - 45 years
Distribution plant	20 - 46 years
General plant - buildings	65 years
Vehicles	12 - 16 years
Other general plant	5 - 15 years
Plant acquisition	23 years
Intangible plant	5 - 30 years

Gas

Acquisition costs and the costs of wells and related equipment and facilities were being amortized using the units of production method, based upon proven and probable reserves in accordance with the amortization method used for regulatory purposes. As a result of a regulatory proceeding and subsequent Order by the RCA, the Utility changed methods and now records depletion at 125% of the principal payments on the debt used to finance the acquisition of this asset. The acquisition of assets purchased with designated underlift settlement funds are being amortized using the units of production method, based upon proven and probable reserves in accordance with the amortization method used for regulatory purposes. The acquisition of assets purchased with gas sale proceeds are being recorded as contributed plant and are being amortized using the units of production method, based on proven and probable reserves in accordance with the amortization method used for regulatory purposes.

(h) Unbilled Revenues

Electric revenues are based on cycle billings rendered to customers monthly. As a result of this cycle billing method, the Utility does not accrue revenue at the end of any fiscal period for services sold but not billed at such date. The unbilled revenues for the Utility are immaterial.

Gas sales are calculated based upon volumes delivered but recorded as a liability (see Note 8(c)).

(i) Gas Balancing

The Utility has elected to account for underlifted gas from its one-third ownership interest in the BRU according to the sales method. Therefore, the financial statements do not include a receivable or revenue for underlifted volumes for which the Utility did not elect to receive cash settlement. The Utility had an accumulated underlift balance at the end of 2006 for which the Utility has not accepted monetary settlement for of 17,897,418 thousand cubic feet (Mcf). The Utility had an overlift of 4,738,394 Mcf in 2008 and 2,769,724 Mcf in 2007. The overlifts for both years were offset against the Utility's accumulated underlift balance reducing it to 10,389,300 Mcf at year-end 2008 and 15,127,694 Mcf at year-end 2007. The Utility also has the option per the Gas Balancing Agreement to take a cash settlement for any underlifted gas.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(j) Discount or Premium on Revenue Bonds Payable

The discount or premium on revenue bonds payable is amortized over the life of the related bond issues using the interest method.

(k) Accrued Leave

The Utility records employee leave, which includes sick leave, when earned.

(l) Net Assets

The implementation of GASB Statement No. 34 requires the Utility to categorize its net assets. The Utility's net assets are categorized as invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects, and unrestricted. The Utility's restricted for debt service category represents assets restricted for payment of debt service in accordance with covenants of the related revenue bond indentures. The Utility's restricted for capital projects category represents cash received that can only be used for the purpose of constructing or acquiring capital assets and not for operating costs.

(m) Intragovernmental Charges

Certain functions of the Municipality of a general and administrative nature are centralized and the related costs are allocated to the various funds of the Municipality, including the Utility. Such costs allocated to the Utility totaled \$3,725,773 and \$3,612,084 for the years ended December 31, 2008 and 2007, respectively.

(n) Utility Revenue Distribution

Prior to 2006, the RCA restricted the Utility from making a revenue distribution or paying the gross receipts portion of the Municipal Utility Service Assessment (MUSA). That restriction was removed in December 2005. Since then, the Utility has made an annual revenue distribution that by Ordinance can be up to a maximum of five percent of the Utility's gross revenues, excluding restricted revenues. The Utility also now includes the gross receipts portion, considered supplemental MUSA, at 1.25% times the actual gross operating revenues in its payment of MUSA.

(o) Risk Management and Self-Insurance

The Municipality is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; illness of and injuries to employees; unemployment; and natural disasters. The Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to a maximum of \$2,000,000 per occurrence for automobile and general liability claims and \$1,000,000 for each workers' compensation claim. Coverage in excess of these amounts is insured by private carriers. Settled claims have not exceeded this commercial coverage in any of the past three years.

Unemployment compensation expense is based on actual claims paid by the State of Alaska and reimbursed by the Municipality.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

All Municipal departments participate in the risk management program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2008 is dependent upon future developments. At December 31, 2008 claims incurred but not reported included in the liability accounts are \$12,327,800 in the General Liability/Workers' Compensation Fund and Medical/Dental Self-Insurance Fund.

Changes in the funds' claim liability amounts in 2008 and 2007 are as follows:

	Liability balance <u>January 1</u>	Current year claims and changes in estimates	Claims payment	Liability balance <u>December 31</u>
2008:				
General Liability/Workers'				
Compensation	\$ 14,709,671	6,981,750	(6,495,198)	15,196,223
Medical/Dental	4,123,844	44,020,522	(42,883,966)	5,260,400
Unemployment	61,453	225,235	(234,514)	52,174
	<u>\$ 18,894,968</u>	<u>51,227,507</u>	<u>(49,613,678)</u>	<u>20,508,797</u>
2007:				
General Liability/Workers'				
Compensation	\$ 13,522,232	6,943,260	(5,755,821)	14,709,671
Medical/Dental	4,949,843	39,907,930	(40,733,929)	4,123,844
Unemployment	89,314	236,905	(264,766)	61,453
	<u>\$ 18,561,389</u>	<u>47,088,095</u>	<u>(46,754,516)</u>	<u>18,894,968</u>

In accordance with the Utility's labor agreements, the International Brotherhood of Electrical Workers (IBEW) employees' medical/dental coverage is provided through the Alaska Electrical Health and Welfare Trust Fund. The Utility's liability for coverage for IBEW employees is limited to its contribution and is not included in the numbers above. The Utility's contributions to this fund were \$2,659,954 and \$2,526,580 for 2008 and 2007, respectively.

(p) Environmental

The Utility has adopted an aggressive policy designed to identify and mitigate the potential effects of past, present, and future operational activities that may result in environmental impact. It is the Utility's accounting policy to record a liability when the likelihood of responsibility for an environmental impact is probable and the cost of mitigating the impact is estimable within

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

reasonable limits. Such costs are capitalized if: (1) they result in an extension of the assets' life, increase the capacity, or improve the safety or efficiency of property owned by the Utility; or (2) mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from future operations or activities. At December 31, 2008, there were no environmental issues that met the Utility's accounting policy and accordingly, no provision has been made in the accompanying financial statements for any potential liability.

(q) Reclassifications

Certain amounts previously reported may have been reclassified to conform with the current presentations. The reclassifications had no effect on previously reported change in net assets.

(2) Cash and Investments

As of December 31, 2008 the Municipality had the following cash and investments, with fixed income maturities as noted:

Investment type	Fair value	Fixed income investment maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Petty cash	\$ 29,948				
Master lease agreement	\$ 1,265,125				
Restricted central treasury					
Cash & money market funds	\$ 12,178,947				
Repurchase agreements	251,997	251,997	-	-	-
Certificates of deposit	8,845,240	8,845,240	-	-	-
Bankers' acceptances	456,426	456,426	-	-	-
U.S. treasuries	9,809,609	-	6,383,294	2,780,854	645,461
U.S. agencies	70,793,478	60,490,484	5,151,790	1,301,081	3,850,123
Commercial paper	13,025,430	13,025,430	-	-	-
Corporate securities	41,333,438	20,380,274	11,801,385	1,946,473	7,205,306
Unrestricted central treasury					
Cash & money market funds	15,589,131				
Repurchase agreements	1,232,405	1,232,405	-	-	-
Certificates of deposit	-	-	-	-	-
Bankers' acceptances	1,029,436	1,029,436	-	-	-
U.S. treasuries	47,974,408	-	31,217,833	13,599,914	3,156,661
U.S. agencies	89,706,565	55,784,362	8,729,969	6,363,006	18,829,228
Commercial paper	7,364,806	7,364,806	-	-	-
Corporate securities	102,063,384	10,461,500	46,844,627	9,519,329	35,237,928
	<u>\$ 421,654,700</u>	<u>179,322,360</u>	<u>110,128,898</u>	<u>35,510,657</u>	<u>68,924,707</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

The Utility's unrestricted cash and investments represent 4.18% of the unrestricted Municipal Central Treasury. The Utility's restricted cash and investments represent 5.24% of the restricted Municipal Central Treasury.

(a) Municipal Central Treasury

The Municipality manages its Central Treasury in four portfolios; one internally managed portfolio and three externally managed duration portfolios based on liability duration and cash needs: working capital, contingency reserve and strategic reserve.

Both externally and internally managed investments are subject to the primary investment objectives outlined in AMC 6.50.030, in priority order as follows: safety of principal, liquidity, return on investment and duration matching. Consistent with these objectives, AMC 6.50.030 authorizes investments that meet the following rating and issuer requirements:

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Commercial paper, including asset-backed commercial paper, rated at least A-1 by S&P or P-1 by Moody's or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by S&P or P-1 by Moody's or F-1 by Fitch and is either:
 - a. Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
 - b. Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Moody's sovereign rating for bank deposits of Aaa, or an S&P sovereign rating of AAA, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better by S&P's Rating Service (investment grade) or the equivalent by another nationally recognized rating agency.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

- Dollar denominated corporate debt instruments, rated below BBB- by S&P's Rating Service (investment grade) or the equivalent by another nationally recognized rating agency, including emerging markets.
- Asset Back Securities (ABS), other than commercial paper, collateralized by: credit cards, automobile loans, leases and other receivables which must have a credit rating of AA- or above by S&P's Rating Service or the equivalent by another nationally recognized rating agency.
- Mortgage Backed Securities, including generic mortgage-backed pass-through securities issued by GNMA, FHLMC, FNMA, Non-agency mortgage-backed securities, Collateralized Mortgage Obligations (CMOs), or Commercial mortgage-backed securities (CMBS), which must have a credit rating of AA- or better by S&P's Rating Service or the equivalent by another nationally recognized rating agency.
- Fixed income derivative instruments used in an un-levered manner to implement Portfolio strategies.
- Money Market Mutual Funds rated Am or better by Standard & Poor's Rating Service, or the equivalent by another nationally recognized rating agency.
- Alaska Municipal League Investment Pool (AMLIP).
- Mutual Fund Investments consisting of a diversified mutual fund, registered under the Securities Act of 1933 and Investment Company Act of 1940.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

The Investment Management Agreement (IMA) for each external manager and the policy and procedures (P&P) applicable to the internally managed investments provide additional guidelines for each portfolio's investment mandate. The IMA and P&P limit the concentration of investments for the working capital portfolio and the internally managed portfolio at the time new investments are purchased as follows:

Investment type	Concentration limit	Working capital portfolio Holding % at 12/31/2008	Internally managed portfolio Holding % at 12/31/2008
U.S. Government securities	50% to 100% of investment portfolio	58%	55%
Repurchase agreements	0% to 50% of investment portfolio	0%	1%
Certificates of deposit*	0% to 50% of investment portfolio Maximum 5% per issuer	0%	8%
Bankers' acceptances	0% to 25% of investment portfolio Maximum 5% per issuer	0%	0%
Commercial paper	0% to 15% of investment portfolio Maximum 5% per issuer	8%	10%
Corporate bonds	0% to 15% of investment portfolio Maximum 5% per issuer	10%	17%
Alaska Municipal League Investment Pool (AMLIP)**	0% to 25% of investment portfolio	0%	0%
Money market mutual funds	0% to 25% of investment portfolio	24%	9%
Dollar denominated fixed income securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 15% of investment portfolio Maximum 5% per issuer	0%	0%
		<u>100%</u>	<u>100%</u>

*The policy limits CDs that are not secured by U.S. Government securities to 20% of the internally managed portfolio.

**The working capital portfolio may not be invested in AMLIP.

The Municipality's internal portfolio exceeded the concentration limit for corporate securities by 2% at December 31, 2008. Concentration limits are reviewed at the time investments are made, but because of significant cash flow activity, market volatility and varying investment maturities, compliance may fall outside of the diversification requirements at times. Steps are taken to move the internal portfolio to within the target limits as existing securities mature and new investments are made. The contingency reserve and strategic reserve portfolios have no specific limitation on concentration of assets.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Municipal Central Treasury externally managed portfolios utilize the duration method to measure exposure to interest rate risk. Interest rate risk is disclosed through the segmented time distribution tables within this note, which categorize investments according to their maturities.

Duration is a measure of an investment's sensitivity to interest rate changes, and represents the sensitivity of an investment's market price to a 1% change in interest rates. The effective duration of an investment is determined by its expected future cash flows, factoring in uncertainties introduced through options, prepayments, and variable rates. The effective duration of a pool is the average fair value weighted duration of each security in the pool.

The effective durations of the externally managed portfolios of the Municipal Central Treasury (working capital, contingency reserve and strategic reserve) at December 31, 2008, were 0.38 years, 2.82 years, and 3.79 years, respectively.

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fixed income securities, this risk is generally expressed as a credit rating.

At December 31, 2008 the Municipal Central Treasury's investment in commercial paper totaled \$20,390,236, and was rated A-1 by Standard & Poor's and P-1 by Moody's. All commercial paper is purchased with a maturity of 270 days or less. The Municipal Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$143,396,822 at December 31, 2008. The distribution of ratings on these securities was as follows:

Moody's		S&P	
Aaa	33%	AAA	43%
Aa	16%	AA	7%
A	25%	A	33%
Baa	14%	BBB	9%
Ba	0%	BB	1%
Not Rated	12%	Not Rated	7%
	100%		100%

At December 31, 2008 the Municipal Central Treasury was invested in Asset and Mortgage Backed Securities valued at \$4,705,702, which fell below the minimum S&P rating of AA- required by AMC 6.50.030. These circumstances resulted from the downgrade of investments held in the contingency reserve and strategic reserve portfolios. Securities falling outside of compliance are divested as soon as it is prudent to do so.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

Repurchase agreement investments were collateralized through tri-party collateral agreements with securities issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation and in an amount having a market value not less than the repurchase agreement investment amounts.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5% or more of net assets excluding U.S. Government, mutual funds, or other pooled investments.

At December 31, 2008, all investments were in compliance with its investment policies relating to concentration of credit risk. There were no investments in any single issuer exceeding 5% of the total portfolio market value.

(e) Custodial Credit Risk

Custodial credit risk is the risk, in event of the failure of a depository institution, that an entity will not be able to recover deposits or collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk, in event of the failure of the counterparty to a transaction, that an entity will not be able to recover the value of the investment or collateral securities in the possession of an outside party.

At December 31, 2008, the Municipal Central Treasury had bank deposit carrying amounts of \$36,624,785, of which \$1,250,000 was covered by federal depository insurance. Additional bank balances of \$1,484,392 were invested in overnight repurchase agreements. Bank deposits of \$25,612,391 were secured by collateral held at the depository bank. Additional bank deposits totaling \$5,143,275 secured by a tri-party collateral agreement, which requires collateral with a market value not less than the uninsured deposit balances be transferred to and held by the custodian of the tri-party agreement. The collateral is held by the custodian in the pledging bank's name on behalf of the Municipality. All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Municipality has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the asset allocation policies listed in the AMC Section 6.50.030 and the asset allocation policies of each portfolio.

Municipal Central Treasury's exposure to foreign currency risk is limited by the AMC Section 6.50.030 requirement that all debt obligations be issued by companies incorporated in the United States or with a branch or agency licensed under the laws of the United States. At December 31, 2008, all debt obligations held in Municipality Central Treasury are payable in U.S. dollars with no foreign currency risk.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(3) Capital Assets

A summary of capital assets at December 31, 2008 follows:

	January 1, 2008	Additions	Deductions	December 31, 2008
Electric plant in service	\$ 411,915,396	19,974,496	(16,999,836)	414,890,056
Less accumulated depreciation	178,460,212	12,665,810	(16,016,274)	175,109,748
Net electric plant in service	<u>233,455,184</u>	<u>7,308,686</u>	<u>(983,562)</u>	<u>239,780,308</u>
Natural gas production and gathering plant	142,867,857	17,956,192	-	160,824,049
Less accumulated depletion	45,189,358	13,911,534	-	59,100,892
Net gas plant in service	<u>97,678,499</u>	<u>4,044,658</u>	<u>-</u>	<u>101,723,157</u>
Net electric and gas plant in service	331,133,683	11,353,344	(983,562)	341,503,465
Intangible plant, less accumulated amortization of \$9,089,542 in 2008 and \$8,685,740 in 2007	3,428,330	-	(403,802)	3,024,528
Construction work in progress	<u>13,145,714</u>	<u>37,881,591</u>	<u>(35,844,394)</u>	<u>15,182,911</u>
Total capital assets	<u>\$ 347,707,727</u>	<u>49,234,935</u>	<u>(37,231,758)</u>	<u>359,710,904</u>

A summary of capital assets at December 31, 2007 follows:

	January 1, 2007	Additions	Deductions	December 31, 2007
Electric plant in service	\$ 362,096,128	61,034,305	(11,215,037)	411,915,396
Less accumulated depreciation	172,490,461	11,511,306	(5,541,555)	178,460,212
Net electric plant in service	<u>189,605,667</u>	<u>49,522,999</u>	<u>(5,673,482)</u>	<u>233,455,184</u>
Natural gas production and gathering plant	128,835,324	14,032,533	-	142,867,857
Less accumulated depletion	30,368,185	14,821,173	-	45,189,358
Net gas plant in service	<u>98,467,139</u>	<u>(788,640)</u>	<u>-</u>	<u>97,678,499</u>
Net electric and gas plant in service	288,072,806	48,734,359	(5,673,482)	331,133,683
Intangible plant, less accumulated amortization of \$8,685,740 in 2007 and \$8,281,938 in 2006	3,832,132	-	(403,802)	3,428,330
Plant acquisition adjustment, less accumulated amortization of \$2,532,802 in 2007 and \$2,421,620 in 2006	111,182	-	(111,182)	-
Construction work in progress	<u>41,306,426</u>	<u>47,596,641</u>	<u>(75,757,353)</u>	<u>13,145,714</u>
Total capital assets	<u>\$ 333,322,546</u>	<u>96,331,000</u>	<u>(81,945,819)</u>	<u>347,707,727</u>

The Utility's construction budget for 2009 is \$131,519,000.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(4) Long-Term Obligations

A summary of long-term obligations consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Revenue bonds:		
Series 1993, effective interest rate at 6.37% due 2011	\$ 14,920,000	19,125,000
Series 1996, effective interest rate at 5.77% due 2015	40,200,000	42,955,000
Series 2005A, effective interest rate at 4.22% due 2026	106,640,000	109,245,000
Series 2005B, effective interest rate at 4.61% due 2008	-	7,730,000
	<u>161,760,000</u>	<u>179,055,000</u>
Less:		
Current installments	17,270,000	17,295,000
Unamortized loss on reaquired debt	8,641,155	10,639,218
Unamortized discount	43,211	49,315
Unamortized premium	<u>(6,330,157)</u>	<u>(7,551,893)</u>
	142,135,791	158,623,360
Net pension obligation	-	801,565
Other postemployment benefits	-	119,420
Total long-term debt	<u>\$ 142,135,791</u>	<u>159,544,345</u>

Debt service requirements to maturity at December 31, 2008 follow:

	<u>Senior Lien Electric Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 17,270,000	8,909,800	26,179,800
2010	16,995,000	7,936,575	24,931,575
2011	16,945,000	6,933,025	23,878,025
2012	16,915,000	5,905,050	22,820,050
2013	17,085,000	5,022,075	22,107,075
2014 - 2018	59,020,000	11,962,625	70,982,625
2019 - 2023	10,175,000	3,395,555	13,570,555
2024 - 2026	7,355,000	742,756	8,097,756
	<u>\$ 161,760,000</u>	<u>50,807,461</u>	<u>212,567,461</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

The Utility's revenue bonds bear interest at effective rates of 4.22% to 6.37% and require the establishment of reserves over a five-year period at least equal to the maximum annual debt service on all outstanding Senior Lien bonds. The senior lien revenue bond covenants further stipulate that net revenue before depreciation and amortization for each year will be equal to at least 1.35 times the debt service requirements for that year. At December 31, 2008 and 2007, the Utility had satisfied the reserve requirements and debt service covenants.

The following is a summary of obligation activity as of December 31:

Revenue Bonds	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within one year
Series 1993	\$ 19,125,000	-	4,205,000	14,920,000	4,565,000
Series 1996	42,955,000	-	2,755,000	40,200,000	2,910,000
Series 2005A	109,245,000	-	2,605,000	106,640,000	9,795,000
Series 2005B	7,730,000	-	7,730,000	-	-
	<u>179,055,000</u>	<u>-</u>	<u>17,295,000</u>	<u>161,760,000</u>	<u>17,270,000</u>
Less unamortized premium/ discounts and deferred amount on refunding	3,136,640	-	782,431	2,354,209	-
Total revenue bonds payable	175,918,360	-	16,512,569	159,405,791	17,270,000
Net pension obligation	801,565	-	801,565	-	-
Other postemployment benefit obligation	119,420	-	119,420	-	-
Total long-term obligations	<u>\$ 176,839,345</u>	<u>-</u>	<u>17,433,554</u>	<u>159,405,791</u>	<u>17,270,000</u>

Revenue Bonds	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due within one year
Series 1993	\$ 22,985,000	-	3,860,000	19,125,000	4,205,000
Series 1996	45,575,000	-	2,620,000	42,955,000	2,755,000
Series 2005A	1,015,000	-	1,015,000	-	-
Series 2005A	109,350,000	-	105,000	109,245,000	2,605,000
Series 2005B	17,855,000	-	10,125,000	7,730,000	7,730,000
	<u>196,780,000</u>	<u>-</u>	<u>17,725,000</u>	<u>179,055,000</u>	<u>17,295,000</u>
Less unamortized premium/ discounts and deferred amount on refunding	4,037,193	-	900,553	3,136,640	-
Total revenue bonds payable	192,742,807	-	16,824,447	175,918,360	17,295,000
Net pension obligation	618,092	183,473	-	801,565	-
Other postemployment benefit obligation	-	119,420	-	119,420	-
Total long-term obligations	<u>\$ 193,360,899</u>	<u>302,893</u>	<u>16,824,447</u>	<u>176,839,345</u>	<u>17,295,000</u>

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(5) Net Assets

Net assets invested in capital assets net of related debt is comprised of the following:

	2008	2007
Total Plant	\$ 359,710,904	347,707,727
Less: Total revenue bonds payable	159,405,791	175,918,360
Contributions in aid of construction	30,671,798	29,022,056
Invested in capital assets (net of related debt)	\$ 169,633,315	142,767,311

Net Assets restricted for debt service is comprised of the following:

	2008	2007
Debt service account	\$ 2,193,273	1,826,329
Revenue bond reserve investments	26,143,690	27,275,837
Less accrued interest	833,501	912,215
Restricted for debt service	\$ 27,503,462	28,189,951

Net assets restricted for capital projects is comprised of the following:

	2008	2007
Interest earnings from Eklutna grant and underlift settlements	\$ -	2,748,190
Underlift settlements per RCA Order No. U-05-97(1) & U-40-64(6)	-	12,884,702
Restricted for capital projects	\$ -	15,632,892

(6) Retirement Plans

Substantially all employees were covered by one of the following plans.

(a) *International Brotherhood of Electrical Workers (IBEW) Plan*

The IBEW is a union sponsored defined benefit pension plan for members of the IBEW Union. During 2008 the Utility contributed \$6.00 per compensable hour and \$3.67 per compensable hour in 2007 for employees who are members of the IBEW and participate in the IBEW Plan to the Alaska Electrical Trust Fund. Total contributions were \$2,324,707 for 2008 and \$1,490,810 for 2007, respectively. The hourly rate paid by the Utility is determined by the collective bargaining process. The Utility's obligation for IBEW employee retirement is limited to the amount paid to the Alaska Electrical Trust Fund.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(b) *State of Alaska Public Employees' Retirement System*

Plan Description

The Utility participates in the State of Alaska Public Employees' Retirement System (PERS). Employees hired prior to July 1, 2006, and employees hired after July 1, 2006 who have PERS enrollment from prior employment, participate in PERS Tiers I-III, a defined benefit public employee retirement system. Employees hired after July 1, 2006 who have no prior PERS participating employment participate in PERS Tier IV, a defined contribution plan with a component of defined benefit postemployment healthcare. The defined benefit plan was originally established as an agent multiple-employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather all plan costs and past service liabilities will be shared among all participating employers. Both plans are administered by the State of Alaska (State) to provide pension, postemployment healthcare, death and disability benefits to eligible employees.

All full-time and regular part-time Utility employees not covered by the IBEW plan are eligible to participate in PERS if they are employed fifteen hours or more per week. For both the defined benefit plan and the defined contribution plan, benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Each fiscal year PERS issues publicly available financial reports that include financial statements and required supplementary information. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by phoning (907) 465-4460.

Funding Policy and Annual Pension and Postemployment Healthcare Cost – PERS Tier I-III Defined Benefit Plan

Employer contribution rates are established by state statute. Employer contribution rates are established annually by a state sanctioned management board. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

Under the newly adopted cost-sharing arrangement, the employer contribution rate is statutorily capped at 22% of annual covered salary. State legislation currently provides that the State will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate. This rate will be consistent with the actuarially determined rate.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

Detailed information regarding rates for the Utility and actuarial methods for the plan for the year ended 2008 are as follows:

	Pension		Postemployment healthcare	
	<u>1/1/08 to</u>	<u>7/1/08 to</u>	<u>1/1/08 to</u>	<u>7/1/08 to</u>
	<u>6/30/08</u>	<u>12/31/2008</u>	<u>6/30/08</u>	<u>12/31/2008</u>
Contribution rates:				
Employee rate	3.92%	2.09%	2.83%	4.66%
Actuarially required employer rate	21.23%	10.91%	15.38%	24.31%
Adjusted actual employer rate	12.76%	6.82%	9.24%	15.18%

The employer contribution rate for the fiscal year ended June 30, 2008 was established in the June 30, 2005 actuarial valuation using the projected unit credit actuarial funding method. Effective with the June 30, 2006 valuation, which established the fiscal year-end June 30, 2009 rates, the Entry Age Actuarial Cost Method has been employed. Under both methods, the rates were determined as a level percentage of payroll.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Utility and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation date	June 30, 2007
Actual cost method	Entry age normal, level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	21 years
Asset valuation method	5-year smoothed market
Investment rate of return	8.25% for pension, 4.5% for healthcare
Projected salary increases	Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0% productivity; 0.5% per year
Inflation	3.5%

The State PERS retiree healthcare benefits are partially funded. The PERS plan used the percentage of Annual Required Contribution (ARC) methodology in the development of the investment rate of return.

Annual Pension and Postemployment Healthcare Cost – through June 30, 2008

Through June 30, 2008, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The Legislature then approved state funding in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. In accordance with GASB Statement Number 24, the Utility has recorded \$479,418 in these financial statements as PERS relief and related PERS expenditures/expenses. In addition, the on-behalf payment is included in employer contributions for the purpose of calculating the ending net pension obligation and other postemployment benefit (OPEB) obligation as noted below.

Because of the conversion to cost-sharing, the net-pension obligation and net OPEB obligation will not be paid. As a result, these amounts have been written off as of July 1, 2008 as a special item.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

Through June 30, 2008, the Utility's annual pension and OPEB costs were as follows:

	Postemployment		Total
	Pension	healthcare	
Annual required contribution (ARC)	\$ 698,365	505,712	1,204,077
Interest on the net obligation (NPO/NOO)	66,129	9,852	75,981
Adjustment to the ARC	(87,577)	(25,383)	(112,960)
Annual pension cost (APC)	676,917	490,181	1,167,098
Contributions made	(676,917)	(490,181)	(1,167,098)
Increase in net obligation	0	0	0
Net obligation, beginning of year	801,565	119,420	920,985
Net obligation, July 1, write-off special item	\$ 801,565	119,420	920,985

Three year trend information prior to conversion to cost-sharing is as follows:

	Period ending	APC	Percentage	Net obligation
			of APC contributed	
Pension	12/31/2006	933,658	76%	618,092
	12/31/2007	1,159,418	84%	801,565
	6/30/2008	676,917	100%	801,565
Postemployment healthcare	12/31/2006	N/A	N/A	N/A
	12/31/2007	816,976	86%	119,420
	6/30/2008	490,181	100%	119,420

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

Annual Pension and Postemployment Healthcare Cost: July 1 - December 31, 2008

Effective July 1, 2008, the Plan has been converted to a cost-sharing arrangement. The statutorily established rate is 22% of covered payroll, subject to a wage floor. In addition, the State contributed approximately 13.22% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Municipality of Anchorage has recorded the state contribution in the amount of \$11,878,367 as a PERS on-behalf payment. The Utility did not recognize any portion of the revenue or expense related to this contribution. The Utility's annual pension and OPEB costs for the six months ended December 31, 2008 were as follows:

<u>Six months ended December 31</u>	<u>Annual pension cost</u>	<u>Annual OPEB cost</u>	<u>Total benefit cost (TBC)</u>	<u>Contributions</u>	<u>% of TBC contributed</u>
2008	\$ 196,811	464,074	660,885	660,885	100%

Funding Status and Funding Progress

As of June 30, 2007, the pension plan is 77.8% funded and the postemployment health plan is 28.5% funded. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (in thousands).

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded liability</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>Unfunded liability as percentage of covered payroll</u>
June 30, 2007:						
Pension	\$ 6,739,004	8,662,324	1,923,320	77.80%	1,605,819	119.80%
Postemployment healthcare	3,161,956	11,108,553	7,946,597	28.50%	1,605,819	494.90%
June 30, 2006:						
Pension	6,331,065	8,094,043	1,762,978	78.20%	1,590,693	110.80%
Postemployment healthcare	2,709,843	11,455,015	8,745,172	23.70%	1,590,693	549.80%

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

Funding Policy and Annual Pension and Postemployment HealthCare Costs – PERS Tier IV

Defined Contribution Plan

Employees first enrolling into PERS after July 1, 2006 participate in PERS Tier IV. PERS Tier IV is a defined contribution retirement plan that includes a component of defined benefit postemployment health care. The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Contribution rates for 2008 are as follows:

	Tier IV	
	1/1 - 6/30	7/1 - 12/31
Employee contribution	8.00%	8.00%
Employer contribution		
Retirement	5.00%	5.00%
Health reimbursement arrangement*	3.00%	3.00%
Retiree medical plan	0.99%	0.99%
Death & disability benefit	0.58%	0.58%
Total employer contribution	9.57%	9.57%

*Health reimbursement arrangement - AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation”. For actual remittance, this amount is calculated as a flat rate per full time employee and a flat rate per hour for part time employees. Prior to July 1, 2008 a rate of \$58.89 per full time employee pay period and \$0.98 per part time hour worked was paid. For pay periods ending after July 1, 2008, a rate of \$62.18 per full time employee pay period and \$1.04 per part time hour worked was paid.

For the year ended December 31, 2008, the Utility contributed \$19,147 to PERS Tier IV for retirement, retiree medical, and it contributed \$5,828 to PERS Tier IV for Health Reimbursement Arrangement on-behalf of its employees. Employee contributions to the plan totaled \$23,314.

Under the newly adopted cost-sharing arrangement for the PERS defined benefit plan (Tiers I – III), the state statute employer contribution rate of 22% includes Tier IV employees. In addition to the amounts listed in the table above, the Utility contributed 11.68% on Tier IV employee payroll. This amount was applied to the obligation of the PERS defined benefit plan and is included in the contributions (ARC) recorded in the defined benefit cost-sharing plan.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(7) Commitments and Contingencies

The Utility, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of management and the Municipality's legal department, the disposition of these matters is not expected to have a material adverse effect on the Utility's financial statements.

(a) Environmental

Fuel/PCB Contaminated Site at Hank Nikkels Power Plant One

During the 1964 earthquake, approximately 250,000-400,000 gallons of diesel fuel spilled on the ground. According to numerous environmental investigations, the spill impacted soil and groundwater at the Hank Nikkels Power Plant One and properties west/northwest of the plant. In 2006-2007, the Utility replaced Unit 3 at the plant. During the subsurface investigation, in addition to diesel contamination known from the 1964 spill, PCBs were detected in the soil. All soil disturbing activities at the site are governed by the Risk-Based Disposal Plan administered by the Alaska Department of Environmental Conservation (ADEC) and the Environmental Protection Agency (EPA). The additional cost of compliance cannot be measured at this time.

New Spill Prevention Requirements

In accordance with its compliance plan submitted to ADEC in 2007, the Utility will perform fuel oil piping modifications and construct secondary containment for the diesel fuel loading/unloading area. The cost of planned upgrades is estimated at \$635,000.

New Air Regulations

On March 10, 2009, the EPA issued a proposed rule for mandatory reporting of greenhouse gas (GHG) emissions. According to the new rule both of the Utility's power plants meet the reporting threshold and must quantify GHG emissions starting in January 2010. To implement the new requirements, Utility employees will be trained on the applicability of this rule, emissions quantification methodologies, fuel monitoring and test requirements, quality assurance and quality control procedures, and other applicable issues. Even though the proposed rule does not require the installation of emission monitoring or emission control devices, it mandates monthly fuel testing for carbon content as well as periodic calibration of fuel flow meters. The cost of compliance with the new rule cannot be estimated at this time.

New Generation Permitting

Environmental permits will be obtained prior to construction of new generation. Air quality assessments and modeling, soil contamination investigations, and wastewater treatment and discharge are primary environmental permitting and compliance areas that will require a consultant's expertise. The additional cost of compliance is currently not determinable.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

(b) *Petroleum Production Tax (PPT)*

In 2007 the Utility received a refund of tax year 2006 AS 43.55.011 petroleum production taxes of \$1,086,891, which was in turn refunded to third-party gas purchasers. For tax year 2007, the Utility's petroleum production tax liability under AS 43.55.011(e) for non-royalty gas was zero and its liability under AS 43.55.011(i) for private royalty gas was \$9,968. Monthly installment payments from February 2007 through January 2008 totaled \$10,038, an overpayment of \$70. For tax year 2008, the Utility estimates that its petroleum production tax liability under AS 43.55.011(e) for non-royalty gas is zero and its liability under AS 43.44.011(i) for private royalty gas is \$10,476. Monthly installment payments from February 2008 through January 2009 totaled \$10,454, an underpayment of \$22.

(c) *Minerals Management Service (MMS) Audit*

In 2007 the MMS conducted an audit of the Utility's royalty valuation for federal leasehold purposes of its gas consumed for the production of electricity from the BRU for the period January 1, 2003 – December 2006. The MMS concluded that years 2003 through 2005 were in compliance. Beginning January 1, 2006, the Utility based its royalty valuation on the annual gas transfer price that the RCA established for the Utility. The MMS deemed this was not an appropriate value for paying royalty. Under protest, the Utility paid the MMS determined underpaid royalty of \$2,014,326. The MMS and the Utility reached agreement that the appropriate royalty value for the Utility's internally used non-arm's-length gas consumption beginning January 1, 2006 should be based on the Utility's sales price to CEA. This valuation method is consistent with 30 CFR 206.152(c), and resulted in a recalculated royalty of \$1,725,848. In 2008, the Utility received a refund of the overpayment to the MMS in the amount of \$112,059, after a deduction of \$176,328 for interest.

(d) *Petroleum Production Credits*

In June 2007 the Utility applied with the State of Alaska Department of Revenue (DOR) for issuance of a transferable production tax certificate in the amount of \$1,969,456 based on BRU's capital expenditures for the period from April 1, 2006 to December 31, 2006. DOR initially denied this application in August 2007, but reversed its decision in March 2008 and issued the requested transferable credit certificate. In April 2008, the Utility applied for transferable tax credits based on BRU's capital expenditures for tax year 2007. As a result, DOR issued a transferable tax credit certificate of \$981,241 available for immediate use and transferable credit certificate of \$6,472 available for use after December 31, 2008. In November 2008, the Utility applied to DOR for purchase of credit certificates available for use at that time in the total amount of \$2,957,169. DOR is currently conducting an audit of these purchase claims. The financial statements do not reflect these transactions.

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

(e) 1999-2005 Petroleum Severance Tax Appeal

For the period from January 1, 1999 through December 31, 2005, the Utility paid under protest unrefunded severance taxes on BRU gas of \$4,524,351. The Utility is not liable for taxes on BRU gas used to internally generate electricity and has allocated its BRU gas to its use for electric generation rather than to satisfy its gas sale obligations to third-parties. DOR contends the Utility was required to limit its allocation of BRU gas for its own use to one-third of its requirements, with the remaining requirements satisfied through gas purchase contracts with Chevron and Conoco-Phillips, and therefore the Utility's additional BRU production is taxable due to its sale to third parties. On July 7, 2008, the Appeals Officer for DOR denied the Utility's refund claims and, in addition, upheld additional assessments for the relevant period. The Utility paid under protest the additional assessments plus accrued interest in the amount of \$282,524 in November 2007, and has timely appealed DOR's denial of refund claims and additional assessments to the State of Alaska Office of Administrative Hearings. A hearing in this matter is scheduled for February 2010. If successful, ML&P will be entitled to return of the principal amounts paid under protest plus interest accruing at the rate of 11% per annum from the date paid.

(8) Regulatory Matters

(a) BRU Underlift Cash Settlement

Each of the three participants in the BRU has a right to take one-third of the gas produced by the Unit each year. Imbalances between the Unit owners are resolved each year in accordance with the BRU Gas Balancing Agreement. Overlifted parties (parties that have taken more than one-third of the Unit output) must offer to underlifted parties (parties that have taken less than one-third of the Unit output) the option to either accept a cash settlement for their underlift for the year, or accept a right to take the underlift in future years, subject to certain restrictions.

Settlements for 2003 and 2004 of \$17,136,139, (later reduced by \$1,200,615 due to adjustments by Conoco Phillips and Chevron Texaco) and \$19,852,555, respectively, were used first to reduce accrued regulatory assets, and then to fund BRU capital improvements. These transactions were approved in Order No. U-04-63(5), Order No. U-04-63(6) and Order No. U-05-97(1), which also required the Utility to maintain accounts demonstrating that the funds would be used for the approved purposes, which will reduce future rate payer costs for gas. At December 31, 2007 the amount remaining was \$11,024,070 and during 2008 that amount was spent and additional funds for BRU construction were used from the restricted investment account for future natural gas purchases or BRU construction (see Note 8(c)).

**MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND**

Notes to Financial Statements

December 31, 2008 and 2007

The Utility received monetary settlements totaling \$22,950,406, after lease burdens and taxes were satisfied, for the 2005 underlift in April 2006. The Utility proposed to use this money to fund future gas purchases beginning in approximately 2018, and to preserve the value of the cash until that time by setting up a loan from the gas fund to the electric fund for the purpose of replacing the retired Unit 3. Repayment of the loan is scheduled to make funds available for gas purchases by the time those purchases are needed. The RCA approved this plan in Order No. U-06-89(2). The Utility recorded a regulatory liability as of December 31, 2008 and 2007, which includes original principal plus interest earnings of \$26,041,413 and \$24,953,894, respectively.

(b) *Regulatory Debits (Credits)*

The revenue requirement methodology approved by the RCA for setting the gas transfer price the Utility uses to produce power requires an estimate for the current year revenue requirement along with the prior year under- or over-recovered costs be used to compute the price to be charged. The Utility records an asset and a regulatory credit for under recovered costs or a liability and a regulatory debit for over-recovered costs by recording the difference between the revenue received and the actual revenue requirement. At December 31, 2008 and 2007, the Utility had under-recovered in the amount of \$9,156,806 and \$2,284,452, respectively

(c) *Petition to Adjust Gas Transfer Price Methodology*

On April 3, 2007, the Utility filed a petition with the RCA to adjust its gas transfer price methodology, which is the basis by which the gas price component in rates charged to customers is established. According to this methodology, the revenue requirement is reduced by revenue realized from third party gas sales to CEA and ENSTAR Natural Gas Company. The Utility's petition proposed to remove the third party gas sales from the revenue requirement calculation and instead use those proceeds for future BRU capital expenditures and future gas purchases when the BRU no longer meets all of the Utility's gas requirements for thermal generation.

The RCA granted the Utility's petition on May 15, 2007 in Order No. U-07-45(2), reiterating that the revenue must be dedicated directly to the benefit of the Utility's rate payers. As of January 2007 the Utility recorded gas sales as a regulatory liability, rather than revenue, which as of December 31, 2008 and 2007, totaled \$45,710,190 and \$20,298,862, respectively. Also as of January 2007 the Utility recorded gas sales proceeds as a restricted investment for future natural gas purchases or BRU construction.

(d) *Revenue Requirement Study*

In Order No. U-06-6(3), dated December 29, 2006, the RCA accepted a stipulation between the Utility and the Attorney General regarding its electric depreciation study. In that order, the RCA required the Utility to file by June 30, 2008, a revenue requirement study and cost of service/rate design study using a 2007 test year. In compliance with that order, on June 30, 2008, the Utility filed a revenue requirement and cost of service study. The revenue requirement study showed a test year revenue deficiency of \$1,417,560 or 1.4%. Given the Utility's overall financial health and the relatively minor level of test year revenue deficiency from base rates, the Utility did not consider it

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

in the best interest of its customers to ask for a rate change in the filing. On October 28, 2008, the RCA accepted the compliance filings and closed the docket in Order No. U-08-77(1).

(9) Other Matters

(a) *Eklutna Hydroelectric Project*

On October 2, 1997, the ownership of the Eklutna Hydroelectric Project was formally transferred from the Alaska Power Administration, a unit of the United States Department of Energy, to the three participating utilities: the Utility, CEA and Matanuska Electric Association (MEA). The project is jointly owned and operated by the participating utilities and each contributes its proportionate share for operation, maintenance, and capital improvement costs, as well as maintenance of the transmission line between Anchorage and the hydroelectric plant. The Utility has a 53.33% ownership interest in the project and recorded costs of \$718,380 and \$582,686 in 2008 and 2007, respectively.

(b) *Eklutna Project Transmission Line Upgrade*

On November 5, 2002, the Utility received a grant from the State of Alaska, Alaska Energy Authority (AEA) in the amount of \$19,300,000. The grant was issued for the Eklutna Project Transmission Line Upgrade with a completion date due no later than December 31, 2006. The Utility requested and received an extension to the completion date of the grant. The completion date of the grant is now June 30, 2009. The Utility received an advance of 20% or \$3,860,000 on December 5, 2002. After the advance was expended, the Utility issued a bill to the State each month for its expenditures up to the total amount of the grant. The advance was invested and earned interest of \$174,361, which was added to the authorized grant amount for a total spending limit of \$19,474,361, which was expended as of December 31, 2008. The transmission line was completed in May 2007. The Utility has recorded contributed plant of \$8,901,559 and an additional \$1,484,117 for cost of removal of the old transmission line or 53.33% of the capital spending as of December 31, 2008. The Utility is preparing to file the final grant report in 2009.

(c) *Bradley Lake Hydroelectric Project*

The Utility agreed to acquire a portion of the output of the Bradley Lake Hydroelectric Project (Project) pursuant to a Power Sales Agreement (Agreement). The Agreement specifies the Utility acquire 25.9% of the output of the Project. The Project went on line September 1, 1991. The Utility made payments to the AEA of \$4,308,612 and \$4,245,710 in 2008 and 2007, respectively, for its portion of the costs, and received 80,611 and 94,401 megawatt hours of power in 2008 and 2007, respectively, from the Project. The Utility received a budget surplus refund in the amount of \$191,729 for 2008 and \$214,527 for 2007. The Utility's estimated cost of power from the Project for 2009 is \$4,471,200.

AEA issued the Power Revenue Bonds, First and Second Series in September 1989 and August 1990, respectively for the long term financing of the construction costs of the Project. The total amount of debt outstanding as of December 31, 2008, is \$112,889,515. The pro rata share of the debt service costs of the Project for which the Utility is responsible, given its 25.9% share of the Project, is \$29,238,384. In the event of payment defaults by other power purchasers, the Utility's

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND

Notes to Financial Statements

December 31, 2008 and 2007

share could be increased by up to 25%, which would then cause the Utility's pro rata share of project debt service to be a total of \$36,547,980; the Utility does not now know of or anticipate any such defaults.

(d) *Interfund Loan*

The Utility loaned the Municipality's Real Estate Services Fund \$3,688,437 to acquire real property described as tract B, Muldoon Estates Subdivision. This loan was approved by Assembly Ordinance (AO) 2006-149(S) on October 24, 2006. The loan is not to exceed five years and will pay interest to the Utility based on the Municipal Cash Pool Earnings Rate plus 50 basis points. The loan balance at December 31, 2008 is \$4,116,253, including interest.

(e) *Southcentral Power Project*

The Utility entered into a participation agreement with CEA on August 28, 2008 to proceed with the joint development, construction and operation of the Southcentral Power Project (SPP). The approximate capacity of SPP is 180 MW, of which the Utility's proportionate share will be 54 MW, or 30%. The Utility's estimated share of the cost of SPP at this time is \$110,561,000, including interest during construction. The Utility has recorded capital expenditures of \$2,034,787 as of December 31, 2008. The SPP is anticipated to enter commercial operation by January 1, 2014.

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STATISTICAL SECTION
(Unaudited)

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Net Assets by Components
 Last Seven Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets (net of related debt)	\$ 169,633,315	142,767,311	108,993,625	64,928,817	43,570,103	36,155,028	10,132,063
Restricted for debt service	27,503,462	28,189,951	28,650,124	32,798,734	29,915,581	31,952,071	31,742,198
Restricted for capital projects	-	15,632,892	29,054,544	32,957,388	12,191,693	50,030	10,576
Unrestricted	26,580,433	27,901,595	30,371,633	48,507,528	54,815,925	44,778,200	56,999,709
Total net assets by components	<u>\$ 223,717,210</u>	<u>214,491,749</u>	<u>197,069,926</u>	<u>179,192,467</u>	<u>140,493,302</u>	<u>112,935,329</u>	<u>98,884,546</u>

The Utility started preparing independent financial statements based on net assets in 2002.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Summary of Changes in Revenues, Expenses, and Changes in Net Assets

	Years Ended December 31					
	2008	2007	2006	2005	2004	2003
Operating revenues:						
Residential sales	\$ 1,430,228	(540,633)	(1,908,748)	(632,610)	1,854,721	892,618
Commercial and industrial sales	7,540,422	(1,707,315)	(10,403,502)	(1,101,595)	9,416,545	3,651,763
Military sales	2,417,765	(700,213)	2,727,303	2,512,354	2,986,981	176,903
Sales for resale	(138,760)	(3,059,136)	9,596,367	(492,065)	5,345,430	3,041,062
Other operating revenues	(2,551,482)	4,684,514	(6,776,000)	6,719,650	(2,507,687)	1,259,168
Gas sales	-	(18,065,200)	7,648,172	2,495,286	322,451	(756,518)
Operating revenues	<u>8,698,173</u>	<u>(19,387,983)</u>	<u>883,592</u>	<u>9,501,020</u>	<u>17,418,441</u>	<u>8,264,996</u>
Nonoperating revenues	(5,108,270)	542,884	2,221,989	2,025,432	383,481	(696,590)
Total revenues	<u>3,589,903</u>	<u>(18,845,099)</u>	<u>3,105,581</u>	<u>11,526,452</u>	<u>17,801,922</u>	<u>7,568,406</u>
Expenses:						
Production	5,606,075	3,976,910	(21,603,226)	6,817,681	10,701,890	4,690,023
Transmission	(191,584)	(171,431)	(171,487)	94,050	62,126	79,019
Distribution	1,108,957	(343)	572,927	425,468	442,646	374,227
Customer service and sales	143,495	(36,420)	122,109	256,300	(444,675)	392,645
Administrative and general	928,933	874,915	426,721	(527,909)	301,914	1,214,503
Taxes other than income	169,757	(1,159,451)	403,751	(511,750)	110,124	280,055
Regulatory debits (credits)	5,359,422	(21,769,651)	8,841,800	982,697	(286,623)	-
Depreciation	(61,999)	1,608,980	8,723,510	1,318,587	(779,062)	(997,745)
Nonoperating expenses	(130,399)	(1,838,478)	(599,506)	(660,185)	(622,698)	(497,606)
Total expenses	<u>12,932,657</u>	<u>(18,514,969)</u>	<u>(3,283,401)</u>	<u>8,194,939</u>	<u>9,485,642</u>	<u>5,535,121</u>
Income before transfer and special item	(9,342,754)	(330,130)	6,388,982	3,331,513	8,316,280	2,033,285
Transfer to/from other funds:						
(Increase) decrease Municipal Utility Service Assessment	(643,144)	(120,523)	(1,393,964)	(91,224)	(65,688)	80,337
(Increase) in transfers to other funds	(1,500)	-	-	-	-	-
Increase in transfers from other funds	93,205	-	-	-	-	-
(Increase) decrease in dividend	776,846	(4,983)	(5,964,169)	-	-	-
Increase (decrease) special item	920,985	-	(19,852,555)	7,900,903	5,256,598	12,663,337
Total changes in net assets	<u>\$ (8,196,362)</u>	<u>(455,636)</u>	<u>(20,821,706)</u>	<u>11,141,192</u>	<u>13,507,190</u>	<u>14,776,959</u>

The Utility started preparing independent financial statements based on net assets in 2002.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Capital assets for the years ended December 31,

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Capital assets:										
Steam production	\$ 24,724,449	25,886,744	24,636,594	23,134,918	22,811,272	21,943,056	21,819,583	21,301,953	21,112,826	19,928,594
Hydraulic production	5,187,198	5,171,201	5,182,225	5,620,755	5,125,962	5,018,871	4,923,856	4,908,719	4,502,557	4,452,745
Other production	131,473,870	126,121,562	96,687,896	91,189,676	90,440,788	98,581,281	98,138,333	97,054,940	95,266,749	91,751,341
Transmission plant	32,348,812	37,499,432	27,135,616	23,763,706	19,241,586	19,540,386	19,480,786	19,639,304	19,580,488	19,497,574
Distribution plant	184,952,002	175,183,175	166,570,821	153,384,489	148,710,620	142,673,972	138,765,523	134,583,293	129,070,745	124,479,099
General plant	34,210,699	39,201,164	39,807,523	43,317,633	43,275,219	43,874,837	42,872,532	40,169,710	38,990,600	37,782,086
Miscellaneous intangible plant	1,993,026	2,852,118	2,075,453	2,207,687	1,842,566	2,038,763	1,854,600	1,854,205	1,981,760	1,819,468
Unclassified plant	-	-	-	-	-	-	-	434,589	915,761	188,387
	<u>414,890,056</u>	<u>411,915,396</u>	<u>362,096,128</u>	<u>342,618,864</u>	<u>331,448,013</u>	<u>333,671,166</u>	<u>327,855,213</u>	<u>319,946,713</u>	<u>311,421,486</u>	<u>299,899,295</u>
Intangible plant	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070	12,114,070
Plant acquisitions	-	2,532,802	2,532,802	2,532,802	2,532,802	2,532,802	2,532,802	2,532,802	2,532,802	2,532,802
Other utility plant	741,167	741,167	741,167	741,167	741,167	741,167	741,167	741,167	741,167	741,167
Gas production	160,824,049	142,867,857	128,835,324	123,948,353	123,812,338	123,799,097	123,749,043	123,729,645	123,729,645	123,594,527
Total capital assets	<u>588,569,342</u>	<u>570,171,292</u>	<u>506,319,491</u>	<u>481,955,256</u>	<u>470,648,390</u>	<u>472,858,302</u>	<u>466,992,295</u>	<u>459,064,396</u>	<u>450,539,169</u>	<u>438,881,861</u>
Less accumulated depreciation for:										
Steam production	7,383,973	6,652,180	5,650,127	7,741,864	7,911,736	11,401,851	11,103,889	10,822,436	10,584,416	10,553,932
Hydraulic production	1,504,704	1,341,199	1,202,422	1,185,143	1,037,743	882,256	723,131	575,412	428,148	293,072
Other production	64,196,155	63,565,157	61,088,771	65,499,951	62,579,918	69,830,578	67,409,405	65,456,731	61,685,589	58,399,241
Transmission plant	11,962,640	12,671,020	10,930,709	10,906,637	10,299,545	10,152,045	9,600,922	9,152,819	8,552,226	7,927,874
Distribution plant	68,782,580	64,580,075	60,480,612	58,074,289	54,740,651	51,017,378	48,098,971	45,255,483	41,560,677	38,952,530
General plant	20,666,861	27,600,927	31,749,420	31,178,194	31,170,185	31,524,445	29,133,345	27,856,954	26,733,609	24,332,365
Miscellaneous intangible plant	612,835	2,049,654	1,388,400	1,502,676	1,307,543	1,400,541	1,141,788	1,294,881	1,390,893	1,259,966
Unclassified plant	-	-	-	-	-	-	-	8,325	9,481	2,842
	<u>175,109,748</u>	<u>178,460,212</u>	<u>172,490,461</u>	<u>176,088,754</u>	<u>169,047,321</u>	<u>176,209,094</u>	<u>167,211,451</u>	<u>160,423,042</u>	<u>150,945,039</u>	<u>141,721,822</u>
Intangible plant	9,089,542	8,685,740	8,281,938	7,878,136	7,474,333	7,070,531	6,666,728	6,262,926	5,859,124	5,455,322
Plant acquisitions	-	2,532,802	2,421,620	2,310,436	2,199,252	2,088,068	1,976,884	1,865,700	1,754,516	1,643,332
Other utility plant	741,167	741,167	741,167	741,167	741,167	700,434	661,283	622,132	582,981	543,830
Gas production	59,100,892	45,189,358	30,368,185	18,436,834	14,965,465	12,767,532	25,910,680	22,435,298	18,701,092	14,631,844
Total accumulated depreciation	<u>244,041,349</u>	<u>235,609,279</u>	<u>214,303,371</u>	<u>205,455,327</u>	<u>194,427,538</u>	<u>198,835,659</u>	<u>202,427,026</u>	<u>191,609,097</u>	<u>177,842,751</u>	<u>163,996,149</u>
Total capital assets, net	<u>344,527,993</u>	<u>334,562,013</u>	<u>292,016,120</u>	<u>276,499,929</u>	<u>276,220,852</u>	<u>274,022,643</u>	<u>264,565,269</u>	<u>267,455,299</u>	<u>272,696,418</u>	<u>274,885,712</u>
Construction work in progress:										
Electric	14,636,770	8,536,892	27,853,755	11,357,379	4,731,497	9,414,463	1,810,621	3,271,329	3,769,864	4,030,816
Gas	546,141	4,608,822	13,452,671	7,114,629	257,416	8,865	37,125	-	-	-
Total construction work in progress	<u>15,182,911</u>	<u>13,145,714</u>	<u>41,306,426</u>	<u>18,472,008</u>	<u>4,988,913</u>	<u>9,423,328</u>	<u>1,847,746</u>	<u>3,271,329</u>	<u>3,769,864</u>	<u>4,030,816</u>
Total construction work in progress and net capital assets	<u>\$ 359,710,904</u>	<u>347,707,727</u>	<u>333,322,546</u>	<u>294,971,937</u>	<u>281,209,765</u>	<u>283,445,971</u>	<u>266,413,015</u>	<u>270,726,628</u>	<u>276,466,282</u>	<u>278,916,527</u>

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Comparative Annual Operating Revenue Relationships
 For The Years Ended December 31,

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Residential sales:										
Average number of customers	24,108	24,044	23,943	23,976	23,842	23,778	23,714	23,732	23,726	23,757
Total kilowatt-hour sales	147,725,244	147,246,280	148,255,188	147,170,569	150,534,003	149,024,280	148,173,656	148,398,565	148,288,633	150,491,969
Total dollar revenue	\$ 15,375,276	13,945,048	14,485,681	16,394,429	17,027,039	15,172,318	14,279,700	14,051,393	13,987,730	14,529,737
Average annual kilowatt-hour per customer	6,128	6,124	6,192	6,138	6,314	6,267	6,248	6,253	6,250	6,335
Average annual bill per customer	\$ 638	580	605	684	714	638	602	592	590	612
Average revenue per kilowatt-hour sold	0.1041	0.0947	0.0977	0.1114	0.1131	0.1018	0.0964	0.0947	0.0943	0.0965
Commercial and industrial sales:										
Average number of customers	6,239	6,195	6,143	6,119	6,029	5,988	5,977	5,953	5,913	5,860
Total kilowatt-hour sales	754,541,810	753,226,983	747,400,442	740,139,179	738,579,271	723,905,871	726,683,680	721,039,949	709,163,332	710,777,559
Total dollar revenue	\$ 61,893,042	54,504,115	56,175,209	66,322,262	67,390,664	58,107,265	54,554,526	52,765,777	51,987,352	54,023,899
Average annual kilowatt-hour per customer	120,940	121,586	121,667	120,958	122,504	120,893	121,580	121,122	119,933	121,293
Average annual bill per customer	\$ 9,920	8,798	9,145	10,839	11,178	9,704	9,127	8,864	8,792	9,219
Average revenue per kilowatt-hour sold	0.0820	0.0724	0.0752	0.0896	0.0912	0.0803	0.0751	0.0732	0.0733	0.0760
Water diversion compensation	\$ 512,248	360,753	396,975	653,423	686,616	553,470	454,446	401,860	317,408	302,945
Military:										
Total kilowatt-hour sales	211,684,628	199,581,144	202,503,237	108,018,544	61,063,541	12,593,003	12,194,009	5,162,494	2,682,990	6,038,150
Total dollar revenue	\$ 10,607,417	8,189,652	8,889,865	6,162,562	3,650,208	663,227	486,324	227,525	151,009	245,729
Sales for resale:										
Total kilowatt-hour sales	214,333,000	268,845,000	325,635,000	170,049,000	230,541,000	132,651,000	52,266,000	73,043,000	185,437,000	15,149,000
Total dollar revenue	\$ 16,137,134	16,275,894	19,335,030	9,738,663	10,230,728	4,885,298	1,844,236	2,615,018	5,032,632	387,515
Unmetered street lights:										
Total kilowatt-hour sales	4,799,970	4,995,834	5,009,541	5,080,859	5,090,589	4,989,071	5,124,441	5,140,679	5,144,766	5,241,544
Total dollar revenue	\$ 1,157,113	1,117,379	1,140,810	1,207,462	1,229,890	1,159,010	1,113,146	1,100,319	1,117,873	1,172,754
Total sales:										
Total kilowatt-hour sales	1,333,084,652	1,373,895,241	1,428,803,408	1,170,458,151	1,185,808,404	1,023,163,225	944,441,786	952,784,687	1,050,716,721	887,698,222
Total sales revenue	\$ 105,682,230	94,392,841	100,423,570	100,478,801	100,215,145	80,540,588	72,732,378	71,161,892	72,594,004	70,662,579

MUNICIPALITY OF ANCHORAGE, ALASKA

ELECTRIC UTILITY FUND

Statistical Section (Unaudited)

December 31, 2008 and 2007

Top Ten Customers By Revenue

	2008	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Elmendorf Air Force Base	6,749,206	135,427,252
Fort Richardson	3,858,211	76,257,376
Municipality of Anchorage	3,230,021	28,669,424
Anchorage School District	2,460,927	28,897,407
State of Alaska	2,084,279	27,150,535
Providence Alaska Medical	2,080,667	29,088,684
University of Alaska	1,582,133	20,471,933
United States Government	1,318,939	17,100,335
Galen Hospital Alaska, Inc	1,191,099	16,127,466
Providence Health System	1,023,623	13,434,937

	2007	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Elmendorf Air Force Base	5,311,913	131,264,972
Municipality of Anchorage	2,976,562	29,633,161
Fort Richardson	2,877,739	68,316,172
Anchorage School District	2,240,634	29,458,341
Providence Hospital	1,851,478	29,864,715
State of Alaska	1,824,439	27,082,457
University of Alaska	1,402,861	20,747,490
United States Government	1,178,094	17,394,029
Galen Hospital Alaska, Inc	1,022,322	16,156,575
Alaska Native Tribal Health Consort	880,708	14,166,810

	2006	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Elmendorf Air Force Base	5,761,761	132,756,676
Municipality of Anchorage	3,132,403	30,620,668
Fort Richardson	3,128,104	69,746,561
Anchorage School District	2,417,351	30,704,731
Providence Hospital	1,937,161	30,087,133
State of Alaska	1,839,593	25,816,217
University of Alaska	1,469,007	20,696,661
United States Government	1,224,946	17,458,568
Galen Hospital Alaska, Inc	1,005,284	15,243,371
Alaska Area Native Health Services	954,164	14,639,684

MUNICIPALITY OF ANCHORAGE, ALASKA

ELECTRIC UTILITY FUND

Statistical Section (Unaudited)

December 31, 2008 and 2007

Top Ten Customers By Revenue

	2005	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Fort Richardson	4,005,131	67,723,913
Municipality of Anchorage	3,537,812	30,333,353
Anchorage School District	2,785,737	30,174,472
Providence Hospital	2,234,634	28,263,943
State of Alaska	2,224,259	26,000,195
Elmendorf Air Force Base	2,157,431	40,294,631
University of Alaska	1,790,871	20,831,906
Alaska Area Native Health Services	1,171,108	14,642,424
Galen Hospital Alaska, Inc	1,132,836	14,165,882
British Petroleum, Inc Alaska	876,988	10,579,140

	2004	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Fort Richardson	3,619,073	60,522,358
Municipality of Anchorage	3,585,221	30,227,004
Anchorage School District	2,751,266	29,053,887
State of Alaska	2,299,395	26,432,916
Providence Hospital	2,217,430	27,618,639
University of Alaska	1,805,620	20,629,817
Alaska Area Native Health Services	1,246,797	15,265,280
Galen Hospital Alaska, Inc	1,147,453	14,055,605
British Petroleum, Inc Alaska	895,946	10,643,600
Alaska Communications Systems	828,004	9,899,516

	2003	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Municipality of Anchorage	3,189,126	29,649,401
Anchorage School District	2,383,925	28,370,159
State of Alaska	2,036,668	26,953,951
Providence Hospital	1,871,412	26,828,885
University of Alaska	1,558,418	19,674,635
Alaska Area Native Health Services	1,081,812	15,119,504
Galen Hospital Alaska, Inc	977,591	13,900,940
BP Exploration, Inc Alaska	771,814	10,515,740
Phillips Alaska, Inc	721,774	9,211,551
Alaska Communication Systems	697,717	9,614,171

MUNICIPALITY OF ANCHORAGE, ALASKA

ELECTRIC UTILITY FUND

Statistical Section (Unaudited)

December 31, 2008 and 2007

Top Ten Customers By Revenue

	2002	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Municipality of Anchorage	3,094,659	30,920,854
Anchorage School District	2,258,922	28,430,353
State of Alaska	1,819,791	25,485,442
Providence Alaska Medical	1,736,635	26,671,907
University of Alaska Anchorage	1,574,612	21,810,197
Alaska Area Native Health Services	1,004,269	14,927,400
Galen Hospital Alaska, Inc	902,896	13,595,512
Carr-Gottstein Properties	729,445	10,319,039
Hickel Investments	711,341	10,633,295
Phillips Alaska, Inc	691,527	9,643,302

	2001	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Municipality of Anchorage	3,043,760	31,362,433
Anchorage School District	2,279,600	29,415,828
Providence Hospital	1,686,760	26,672,651
State of Alaska	1,600,684	22,923,918
University of Alaska	1,512,738	21,291,848
Alaska Area Native Health Services	970,311	14,850,200
Hickel Investments	854,533	12,804,816
Galen Hospital Alaska Inc	829,311	12,946,319
Carr-Gottstein Properties	742,333	10,846,203
GSA Finance Div Utility Unit	716,650	10,277,054

	2000	
<u>Customer</u>	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Municipality of Anchorage	3,107,184	31,976,411
Anchorage School District	2,308,572	30,290,402
Providence Hospital	1,656,197	26,329,821
University of Alaska	1,554,205	22,190,909
State of Alaska	1,316,310	18,687,823
Alaska Area Native Health Services	971,832	14,732,360
Galen Hospital Alaska, Inc	927,312	14,184,472
Hickel Investments	879,680	13,148,767
Carr-Gottstein Properties	747,676	11,035,079
ARCO Alaska, Inc	708,950	10,069,251

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007
 Top Ten Customers By Revenue

<u>Customer</u>	1999	
	<u>Revenue (\$)</u>	<u>Sales (kWh)</u>
Municipality of Anchorage	3,202,163	31,676,918
Anchorage School District	2,297,668	28,851,788
University of Alaska	1,685,002	23,518,246
Providence Hospital	1,590,157	24,303,418
State of Alaska	1,084,701	14,904,863
Alaska Area Native Health Services	1,058,133	15,258,268
Galen Hospital Alaska, Inc	992,211	14,462,171
Hickel Investments	881,313	12,725,625
Carr-Gottstein Properties	826,571	11,738,575
ARCO Alaska Inc	769,130	10,411,423

MUNICIPALITY OF ANCHORAGE, ALASKA

ELECTRIC UTILITY FUND

Statistical Section (Unaudited)

December 31, 2008 and 2007

Rate Summary

Effective date	<u>Permanent 10/09/03</u>	<u>Permanent 01/22/03</u>	<u>Interim 08/15/02</u>	<u>Permanent 05/01/95</u>
Base cost of power (\$/kWh)	0.02112	0.02755	0.02755	0.02755
Residential:				
Schedule 11				
Customer charge (\$/month)	6.56	6.56	6.56	6.56
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.09476	0.09158	0.09158	0.08803
Commercial:				
Schedule 21 - small commercial				
Customer charge (\$/month)	12.88	12.88	12.88	12.88
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.09182	0.08874	0.08874	0.08530
Schedule 22 - large commercial at secondary voltage				
Customer charge (\$/month)	44.15	44.15	44.15	44.15
Demand charge (\$/kW)	11.85	11.45	11.45	11.01
Energy charge (\$/kWh)	0.05351	0.05171	0.05171	0.04970
Schedule 23 - large commercial at primary voltage				
Customer charge (\$/month)	159.55	159.55	159.55	159.55
Demand charge (\$/kW)	13.32	12.87	12.87	12.37
Energy charge (\$/kWh)	0.05154	0.04981	0.04981	0.04788
Schedule 25 - replacement energy, AWWU				
Customer charge (\$/month)	-	-	-	-
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.03756	0.03630	0.03630	0.03489
Schedule 26 - economic development incentive rate				
Customer charge (\$/month) - secondary voltage	44.15	44.15	44.15	-
Demand charge (\$/kW) - secondary voltage	11.85	11.45	11.45	-
Energy charge (\$/kWh) - secondary voltage	0.05351	0.05171	0.05171	-
Customer charge (\$/month) - primary voltage	159.55	159.55	159.55	-
Demand charge (\$/kW) - primary voltage	13.32	12.87	12.87	-
Energy charge (\$/kWh) - primary voltage	0.05154	0.04981	0.04981	-
Schedule 27 - interruptible power at secondary voltage				
Customer charge (\$/month)	44.15	44.15	44.15	-
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.05351	0.05171	0.05171	-
Schedules 31, 32, 33 - general service seasonal at secondary voltage				
Customer charge (\$/month) - winter	44.15	44.15	44.15	44.15
Demand charge (\$/kW) - winter	-	-	-	-
Energy charge (\$/kWh) - winter	0.09182	0.08874	0.08874	0.08530
Customer charge (\$/month) - summer	44.15	44.15	44.15	44.15
Demand charge (\$/kW) - summer	11.85	11.45	11.45	11.01
Energy charge (\$/kWh) - summer	0.05351	0.05171	0.05171	0.04970

Cost of power adjustment (COPA) is not included in these rates.

MUNICIPALITY OF ANCHORAGE, ALASKA

ELECTRIC UTILITY FUND

Statistical Section (Unaudited)

December 31, 2008 and 2007

Rate Summary

Effective date	<u>Permanent 10/09/03</u>	<u>Permanent 01/22/03</u>	<u>Interim 08/15/02</u>	<u>Permanent 05/01/95</u>
Schedules 34, 35, 36 - general service seasonal at primary voltage				
Customer charge (\$/month) - winter	159.55	159.55	159.55	-
Demand charge (\$/kW) - winter	-	-	-	-
Energy charge (\$/kWh) - winter	0.08847	0.08550	0.08550	-
Customer charge (\$/month) - summer	159.55	159.55	159.55	-
Demand charge (\$/kW) - summer	13.32	12.87	12.87	-
Energy charge (\$/kWh) - summer	0.05154	0.04981	0.04981	-
Area lighting/street lighting:				
Schedules 41/60 (\$/month) (150 watt luminaire)	18.95	18.31	18.31	17.60
Schedules 42/61 (\$/month) (175 watt luminaire)	20.06	19.39	19.39	18.64
Schedules 43/62 (\$/month) (250 Watt luminaire)	23.00	22.23	22.23	21.37
Schedules 44/63 (\$/month) (400 watt luminaire)	29.20	28.22	28.22	27.13
Schedules 45/64 (\$/month) (1,000 watt luminaire)	55.22	53.37	53.37	51.30
Military:				
Schedule 700 - interruptible service - Ft. Richardson - at primary voltage				
Customer charge (\$/month)	-	-	-	-
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.04708	0.04550	0.04550	0.04374
Schedule 750 - interruptible service - Elmendorf AFB - at primary voltage				
Customer charge (\$/month)	-	-	-	-
Demand charge (\$/kW)	-	-	-	-
Energy charge (\$/kWh)	0.05154	0.04981	0.04981	0.04788
Schedule 760 - limited all requirements service at primary voltage				
Customer charge (\$/month)	159.55	159.55	159.55	-
Demand charge (\$/kW)	8.84	8.54	8.54	-
Energy charge (\$/kWh)	0.04434	0.04285	0.04285	-
Schedule 770 - partial requirements service at primary voltage				
Customer charge (\$/month)	159.55	159.55	159.55	-
Baseload demand charge (\$/kW)	4.80	4.64	4.64	-
Peaking demand charge (\$/kW)	10.90	10.53	10.53	-
Energy charge (\$/kWh)	0.04434	0.04285	0.04285	-
Schedule 780 - seasonal replacement service at primary voltage				
Customer charge (\$/month)	159.55	159.55	159.55	-
Replacement capacity charge(\$/kW)	4.80	4.64	4.64	-
Excess demand charge (\$/kW)	10.90	10.53	10.53	-
Energy charge (\$/kWh)	0.04434	0.04285	0.04285	-

Cost of power adjustment (COPA) is not included in these rates.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Typical Monthly Bill Comparison *

	2008	2007	2006	2005	2004	2003	2002
Residential:							
Municipal Light and Power (ML&P)	\$ 75.51	68.29	70.43	81.10	82.33	73.65	70.05
Chugach Electric Association (CEA)	102.97	103.32	102.76	90.22	87.58	81.04	82.65
Matanuska Electric Association Inc. (MEA)	106.03	101.55	99.66	85.98	81.17	79.04	85.61
Homer Electric Association (HEA)	122.98	112.57	108.26	98.90	83.55	89.06	91.55
Golden Valley Electric Association (GVEA)	152.31	115.55	112.50	100.06	83.45	78.88	77.01
Small commercial:							
ML&P	368.85	330.37	341.77	398.68	405.24	359.22	340.37
CEA	473.54	473.17	470.18	403.26	389.21	390.99	417.90
MEA	457.95	454.00	460.83	389.04	364.15	353.17	386.11
HEA	576.07	526.95	508.97	460.98	380.79	410.05	422.98
GVEA	744.39	548.78	532.84	466.74	378.55	354.28	394.38
Large commercial:							
Secondary:							
ML&P	12,386.60	10,943.38	11,370.91	13,505.15	13,751.26	12,049.25	11,369.70
CEA	16,734.13	16,706.33	16,594.24	14,084.85	13,558.09	12,489.19	12,842.80
MEA	18,811.08	16,516.66	15,703.13	13,046.25	12,135.36	11,734.35	12,908.55
HEA	21,722.47	17,872.41	17,899.98	16,125.25	13,139.10	14,234.62	14,715.18
GVEA	25,592.15	18,669.58	18,428.51	15,979.40	12,718.14	11,823.00	11,570.81
Primary:							
ML&P	12,794.50	11,351.28	11,778.81	13,913.05	14,159.16	12,450.03	11,762.10
CEA	16,239.04	16,358.63	16,246.54	13,737.15	13,210.39	12,185.59	12,562.21
MEA	18,811.08	16,410.22	15,491.43	12,839.78	11,932.45	11,533.22	12,697.72
HEA	19,802.60	18,313.40	17,899.98	16,125.25	13,139.10	14,234.62	14,715.18
GVEA	25,884.45	18,530.88	17,825.40	15,398.65	12,172.34	11,288.85	10,905.93
Billing determinants							
	<u>Typical customer bill</u>						
Type of service:	<u>kWh</u>	<u>kW</u>					
Residential	750	n/a					
Small commercial	4,000	n/a					
Large commercial, secondary	150,000	400					
Large commercial, primary	150,000	400					

* Monthly bills include customer charge, energy charge, demand charge (where applicable), cost of power adjustment (COPA), and regulatory cost charge (RCC).
 At the beginning of each quarter a typical monthly bill is calculated using rates in effect for that quarter. At the end of the calendar year a simple average of the four quarters is computed and represents a typical monthly bill for the year.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Rate Comparison

	Average in Cents/kWh*						
	2008	2007	2006	2005	2004	2003	2002
Residential:							
ML&P	10.07	9.11	9.39	10.81	10.98	9.82	9.34
CEA	13.73	13.78	13.70	12.03	11.68	10.81	11.02
MEA	14.14	13.54	13.29	11.46	10.82	10.54	11.41
HEA	16.40	15.01	14.43	13.19	11.14	11.87	12.21
GVEA	20.31	15.41	15.00	13.34	11.13	10.52	10.27
Small commercial:							
ML&P	9.22	8.26	8.54	9.97	10.13	8.98	8.51
CEA	11.84	11.83	11.75	10.08	9.73	9.77	10.45
MEA	11.45	11.35	11.52	9.73	9.10	8.83	9.65
HEA	14.40	13.17	12.72	11.52	9.52	10.25	10.57
GVEA	18.61	13.72	13.32	11.67	9.46	8.86	9.86
Large commercial:							
Secondary:							
ML&P	8.26	7.30	7.58	9.00	9.17	8.03	7.58
CEA	11.16	11.14	11.06	9.39	9.05	8.33	8.56
MEA	12.54	11.01	10.47	8.70	8.09	7.82	8.61
HEA	14.48	11.91	11.93	10.75	8.76	9.49	9.81
GVEA	17.06	12.45	12.29	10.65	8.48	7.88	7.71
Primary:							
ML&P	8.53	7.57	7.85	9.28	9.44	8.30	7.84
CEA	10.83	10.91	10.83	9.16	8.81	8.12	8.37
MEA	12.54	10.94	10.33	8.56	7.95	7.69	8.47
HEA	13.20	12.21	11.93	10.75	8.76	9.49	9.81
GVEA	17.26	12.35	11.88	10.27	8.11	7.53	7.27

* Average rate comparisons, when expressed in cents per kWh, are derived by dividing the typical monthly bill (see page 66) by the kWh's (see schedule on bottom of page 66) used to calculate the bill for each class and multiplying the result by 100 to convert to cents per kWh.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Bond Debt
 Principal and interest (cash basis)

Year	Senior lien electric revenue bonds		Total
	Principal	Interest	
2009	\$ 17,270,000	8,909,800	26,179,800
2010	16,995,000	7,936,575	24,931,575
2011	16,945,000	6,933,025	23,878,025
2012	16,915,000	5,905,050	22,820,050
2013	17,085,000	5,022,075	22,107,075
2013 - 2017	59,020,000	11,962,625	70,982,625
2018 - 2022	10,175,000	3,395,555	13,570,555
2023 - 2026	7,355,000	742,756	8,097,756
	\$ 161,760,000	50,807,461	212,567,461

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Schedule of Reveal Bond Coverage
 Last Ten Years

Fiscal year	Revenue (1)	Operating expenses (2)	Net revenue available for debt service	Current year debt service requirements (accrual basis)			
				Principal (4)	Interest	Total	Coverage (3)
2008	\$ 108,120,323	56,737,791	51,382,532	17,295,000	9,775,653	27,070,653	1.90
2007	103,846,120	42,968,092	60,878,028	17,725,000	10,714,687	28,439,687	2.14
2006	122,317,974	61,133,040	61,184,934	21,225,000	11,675,721	32,900,721	1.86
2005	119,283,380	71,146,481	48,136,899	13,310,000	12,650,207	25,960,207	1.85
2004	108,480,057	63,518,720	44,961,337	12,830,000	12,981,045	25,811,045	1.74
2003	90,828,692	52,565,630	38,263,062	11,815,000	13,423,715	25,238,715	1.52
2002	83,289,164	45,615,495	37,673,669	11,295,000	13,923,278	25,218,278	1.49
2001	87,430,201	45,059,976	42,370,225	11,290,000	15,052,657	26,342,657	1.61
2000	84,568,627	40,698,048	43,870,579	10,330,000	15,789,540	26,119,540	1.68
1999	82,155,446	38,287,619	43,867,827	9,828,000	16,584,048	26,412,048	1.66

(1) Excludes interest charged to construction and interest restricted for construction.

(2) Includes Municipal Utility Service Assessment per Municipal Ordinance AO 83-58, Municipal Grant Funds, and excludes depreciation.

(3) Required minimum coverage 1.35.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Statement of Net Assets Ratios

	2008	2007	2006	2005	2004	2003	2002
Current ratio	2.70	5.64	2.85	4.65	5.70	5.53	4.94

This ratio is a measure of the Utility's ability to meet short-term obligations.
 The current ratio is calculated by dividing current assets by current liabilities and customer deposits.

	2008	2007	2006	2005	2004	2003	2002
Long-term debt/gross plant	21 / 79	23 / 77	26 / 74	30 / 70	32 / 68	33 / 67	34 / 66

This ratio provides the gross plant value represented by long-term debt.
 It is an indication of how much leverage has been utilized in acquiring plant assets.

	2008	2007	2006	2005	2004	2003	2002
Net assets/gross debt	58 / 42	55 / 45	50 / 50	45 / 55	38 / 62	32 / 68	28 / 72

This ratio expresses the relationship of net assets and gross debt as components of the total capital structure.
 (excluding net pension obligation)

70

Statement of Revenues, Expenses, and Changes in Fund Net Assets Ratios

	2008	2007	2006	2005	2004	2003	2002
Return on net assets (excluding dividend and special item)	6.29%	11.87%	13.31%	13.41%	13.82%	7.44%	5.26%

This ratio is a measure of the return received on net assets.
 The return on net assets is calculated by dividing the change in net assets, (excluding dividend and special item) by net assets

	2007	2007	2006	2005	2004	2003	2002
Operating margin	26.91%	33.72%	30.54%	27.66%	29.50%	24.87%	24.56%

The operating margin ratio expresses the percentage of each dollar of operating revenue that represents operating income. The ratio is calculated as operating income, net of MUSA, divided by operating revenue.

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Base Ratings by Generation Units

Type	Unit no.	Base rating		Nameplate capacity (KVA)
		30F (MW)	ISO (MW)	
Diesel	1	0.9	0.9	1,375
Diesel	2	0.8	0.8	1,420
Combustion turbine	1	16.2	14.0	15,625
Combustion turbine	2	16.2	14.0	15,625
Combustion turbine	3	32.9	29.3	48,940
Combustion turbine	4	33.6	31.1	31,765
Combustion turbine	5	37.6	33.8	39,222
Steam turbine	6	37.5	34.0	38,823
Combustion turbine	7	81.8	74.4	110,556
Combustion turbine	8	85.0	77.3	102,941
	Sub-total	342.4	309.5	406,292
Hydro-turbine (Eklutna)	1	22.2	22.2	22,222
Hydro-turbine (Eklutna)	2	22.2	22.2	22,222
	Total	386.8	353.9	450,736
	ML&P units	342.4	309.5	406,292.0
	Eklutna (53.3%)	23.7	23.7	23,688.7
		366.1	333.2	429,980.7
Plant 1		100.5	90.0	114,750
Plant 2		241.9	219.5	291,542
Eklutna		44.4	44.4	44,444

International Standards Organization (ISO)

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Generated and Purchased Power (Kilowatt Hours)

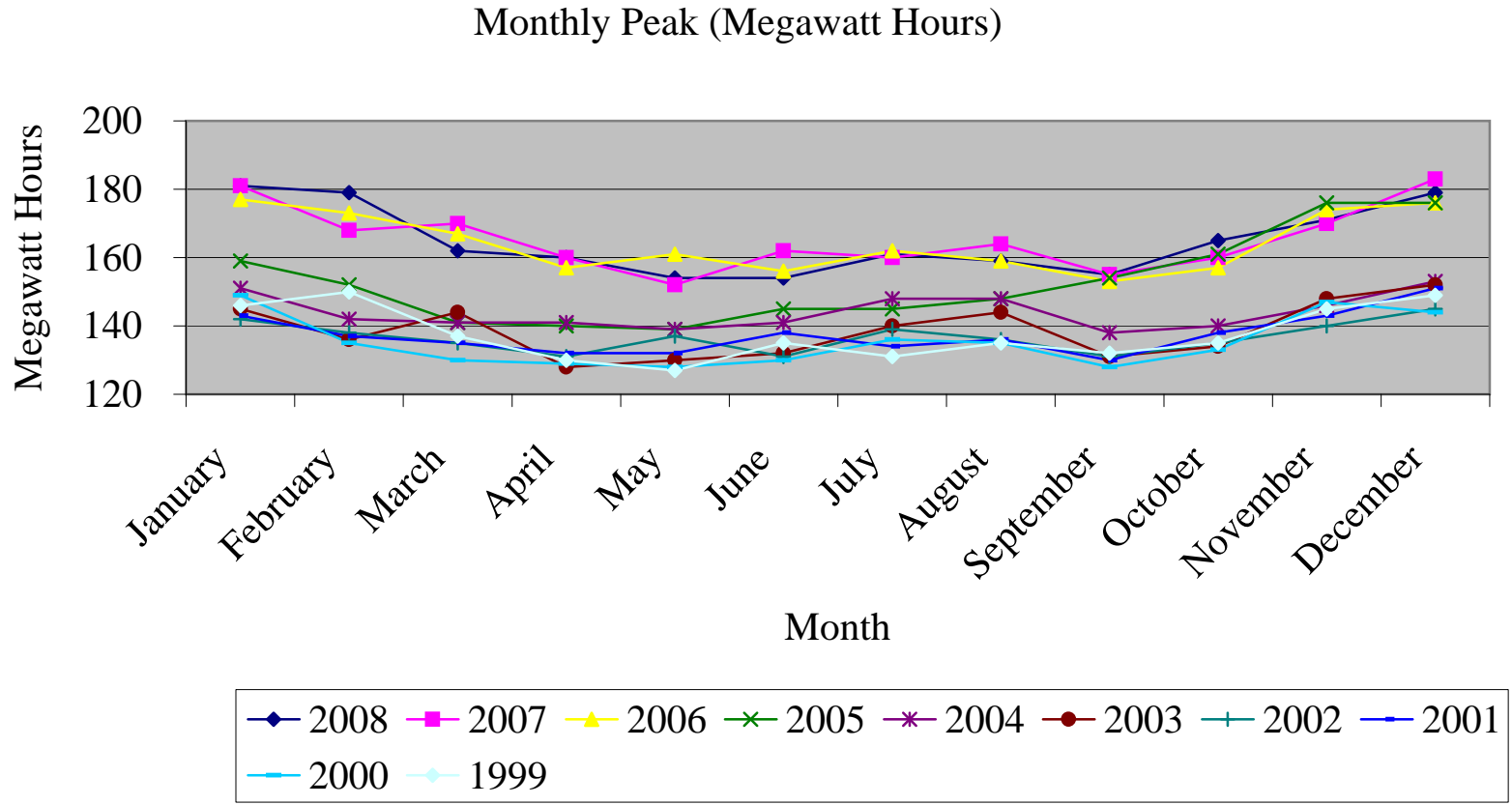
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>Hank Nikkels Plant 1</i>										
Maximum generator nameplate capacity in Kilovolt Ampere (KVA)	114,750	114,750	65,810	65,810	65,810	85,010	85,010	85,010	85,010	85,010
Net peak demand on plant (kilowatts for 60 minutes)	55,000	63,000	40,000	46,000	57,000	58,000	50,000	49,000	42,000	44,000
Plant hours connected to load	4,307	2,544	1,328	1,890	3,115	1,450	3,610	1,986	617	1,010
Net generation kilowatt hours (kwh)	73,583,819	53,559,783	26,405,442	30,076,012	44,254,621	20,028,412	40,636,425	22,608,047	10,448,475	9,983,618
<i>George M. Sullivan Plant 2</i>										
Maximum generator nameplate capacity in (KVA)	291,542	291,542	291,542	291,542	291,542	291,542	291,542	291,542	291,542	291,542
Net peak demand on plant (kilowatts for 60 minutes)	216,000	234,000	234,000	218,000	216,000	203,000	179,000	225,000	228,000	201,000
Plant hours connected to load	26,946	26,396	28,077	21,014	21,667	20,004	17,372	28,382	30,674	19,516
Net generation (kwh)	1,151,895,960	1,193,352,840	1,281,852,840	970,096,930	1,002,242,680	812,647,400	718,743,080	814,101,120	882,063,760	759,258,360
<i>Eklutna Hydro Project (the Utility's entitlement is 53.33%)</i>										
Maximum generator nameplate capacity in (KVA)	44,444	44,444	44,444	44,444	44,444	44,444	44,444	44,444	44,444	44,444
Net peak demand on plant (kilowatts for 60 minutes)	40,300	40,400	41,400	39,800	39,800	39,800	39,800	39,800	39,800	39,800
Plant hours connected to load	15,823	15,927	16,911	16,683	16,236	15,542	15,377	15,774	15,310	14,069
Net generation (kwh)	124,517,524	113,162,714	146,260,862	180,015,025	172,979,688	177,362,728	161,265,700	145,702,829	172,429,680	159,970,800
The utility's actual net generation received (kwh)	57,822,255	62,104,513	66,807,682	88,953,347	72,435,124	89,899,473	82,111,773	62,695,000	93,977,000	70,063,000
<i>Off Site Generation</i>										
Chugach Electric Assoc. (kwh)			800,000							
<i>Purchased Power</i>										
Alaska Energy Authority (kwh)	80,611,000	94,401,000	82,093,000	110,537,000	91,188,000	128,380,000	126,855,000	84,306,000	89,226,000	82,031,000
Chugach Electric Assoc. (kwh)	1,733,000		1,060,000	75,000	384,000			40,000		72,000
Golden Valley Electric Assoc. (kwh)										77,000

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Monthly Peak (Megawatt Hours)
 Last Ten Years

Month	Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
January	181	181	177	159	151	145	142	143	149	146
February	179	168	173	152	142	136	138	137	135	150
March	162	170	167	141	141	144	135	135	130	137
April	160	160	157	140	141	128	131	132	129	130
May	154	152	161	139	139	130	137	132	128	127
June	154	162	156	145	141	132	131	138	130	135
July	161	160	162	145	148	140	139	134	136	131
August	159	164	159	148	148	144	136	136	135	135
September	155	155	153	154	138	131	131	130	128	132
October	165	160	157	161	140	134	135	138	133	135
November	171	170	174	176	146	148	140	143	147	145
December	179	183	176	176	153	152	145	151	144	149

MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007



MUNICIPALITY OF ANCHORAGE, ALASKA
ELECTRIC UTILITY FUND
 Statistical Section (Unaudited)
 December 31, 2008 and 2007

Miscellaneous Statistical Information
 Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Number of customers	30,352	30,244	30,091	30,100	29,876	29,771	29,696	29,690	29,643	29,621
Number of street lights	4,132	4,146	4,167	4,187	4,207	4,224	4,238	4,259	4,338	4,467
Circuit miles of overhead distribution line	136	136	135	137	138	136	137	137	137	138
Miles of underground distribution line	243	236	236	232	228	224	222	217	215	213
Plant generation capacity (30 degrees fahrenheit) - KW	366,100	366,100	333,200	333,200	333,200	353,700	353,700	353,700	353,700	353,700