

CLERK'S OFFICE
APPROVED
1-17-12

Submitted by: Chair of the Assembly at
the Request of the Mayor
Prepared by: Municipal Light & Power
For reading: December 13, 2011

ANCHORAGE, ALASKA
AR No. 2011-351

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING EIGHT MILLION DOLLARS (\$8,000,000) TO MUNICIPAL LIGHT AND POWER 2011 OPERATING FUND (530) FOR INCREASED ENERGY PRODUCTION COSTS.

WHEREAS, in budget year 2011, the Utility has incurred higher than anticipated production expense due to strong economy energy sales to Golden Valley Electric Association. The increased production costs are more than offset by the revenues received from economy energy sales; and

WHEREAS, Allowance for Funds Used during Construction (AFUDC) is a non-cash bookkeeping entry unique to regulated utilities. The principle behind AFUDC is that regulated utilities are entitled to the opportunity to earn a return on capital investment (recorded as a credit to operating expense). AFUDC is calculated as a percentage of capital investment. Capital expenditures for new generation are under budget resulting in less AFUDC (a smaller credit to expense); now, therefore,

THE ANCHORAGE ASSEMBLY RESOLVES:


Section 1: That the sum of Eight Million Dollars (\$8,000,000) is hereby appropriated to the Municipal Light & Power Operating Fund (530).

Section 2: That the 2011 Municipal Light & Power Operating Budget is hereby revised as follows:

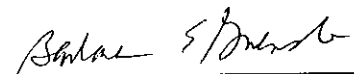
<u>Budget Fund</u>	<u>Utility</u>	<u>2011 Operating Budget Revision</u>
530	Municipal Light & Power	\$128,888,000

Section 3: That this resolution shall take effect immediately upon passage and approval by the Anchorage Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 17th day of January, 2012.


Chairman

ATTEST:


Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 743-2011

Meeting Date: December 13, 2011

1 **FROM: Mayor**

2
3 **SUBJECT: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE**
4 **APPROPRIATING EIGHT MILLION DOLLARS (\$8,000,000) TO**
5 **MUNICIPAL LIGHT & POWER (ML&P) 2011 OPERATING FUND (530)**
6 **FOR INCREASED ENERGY PRODUCTION COSTS**
7

8 ML&P's expenditures for 2011 are in excess of the Approved 2011 Operating Budget for
9 the utility. Increased expenditures are a result of increased production costs for economy
10 energy sales to Golden Valley Electric Association, Inc. (GVEA). The increased production
11 costs are more than offset by the revenues received from economy energy sales.
12

13 Allowance for Funds Used during Construction (AFUDC) is a non-cash bookkeeping entry
14 unique to regulated utilities. The principle behind AFUDC is that regulated utilities are
15 entitled to the opportunity to earn a return on capital investment (recorded as a credit to the
16 operating expense). AFUDC is calculated as a percentage of capital investment. Capital
17 expenditures for ML&P new generation are below budget, resulting in less AFUDC (a
18 smaller credit to expense).
19

20 The budget detail is as follows:
21

22 **REVENUE**

23 <u>Account Number</u>	24 <u>Account Name</u>	25 <u>Amount</u>
26 *530-M2001-BP2011	Economic Energy Sales and other Sales	\$8,000,000

27 *Accounts 4400 through 4472-M4400 through M4472
28

29 **EXPENDITURES**

30 <u>Account Number</u>	31 <u>Account Name</u>	32 <u>Amount</u>
33 530-M3000-5470-M5470-BP2011	Fuel	\$5,000,000
34 530-M3000-4320-M4320-BP2011	Interest during Construction	\$3,000,000

35 Therefore, the attached resolution increases ML&P's 2011 Operating budget appropriation
36 by \$8,000,000 for expenditures necessary to generate energy for GVEA and less AFUDC.
37

38 **THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION OF THE
MUNICIPALITY OF ANCHORAGE APPROPRIATING EIGHT MILLION DOLLARS**

1 (\$8,000,000) TO MUNICIPAL LIGHT AND POWER 2011 OPERATING FUND (530) FOR
2 INCREASED ENERGY PRODUCTION COSTS.
3

4 Prepared by: James M. Posey, General Manager, Municipal Light & Power

5 Fund Certification: Lucinda Mahoney, CFO

6 530-M3000-5470-M5470-BP2011 \$5,000,000

7 (Operating Funds)

8 530-M3000-4320-M4320-BP2011 \$3,000,000

9 (Operating Funds)

10 Concur: George J. Vakalis, Municipal Manager

11 Respectfully submitted: Daniel A. Sullivan, Mayor