

Anchorage Hydropower Utility



**Municipal
Manager**

**Anchorage
Hydropower
Utility**

Anchorage Hydropower Utility Organizational Overview

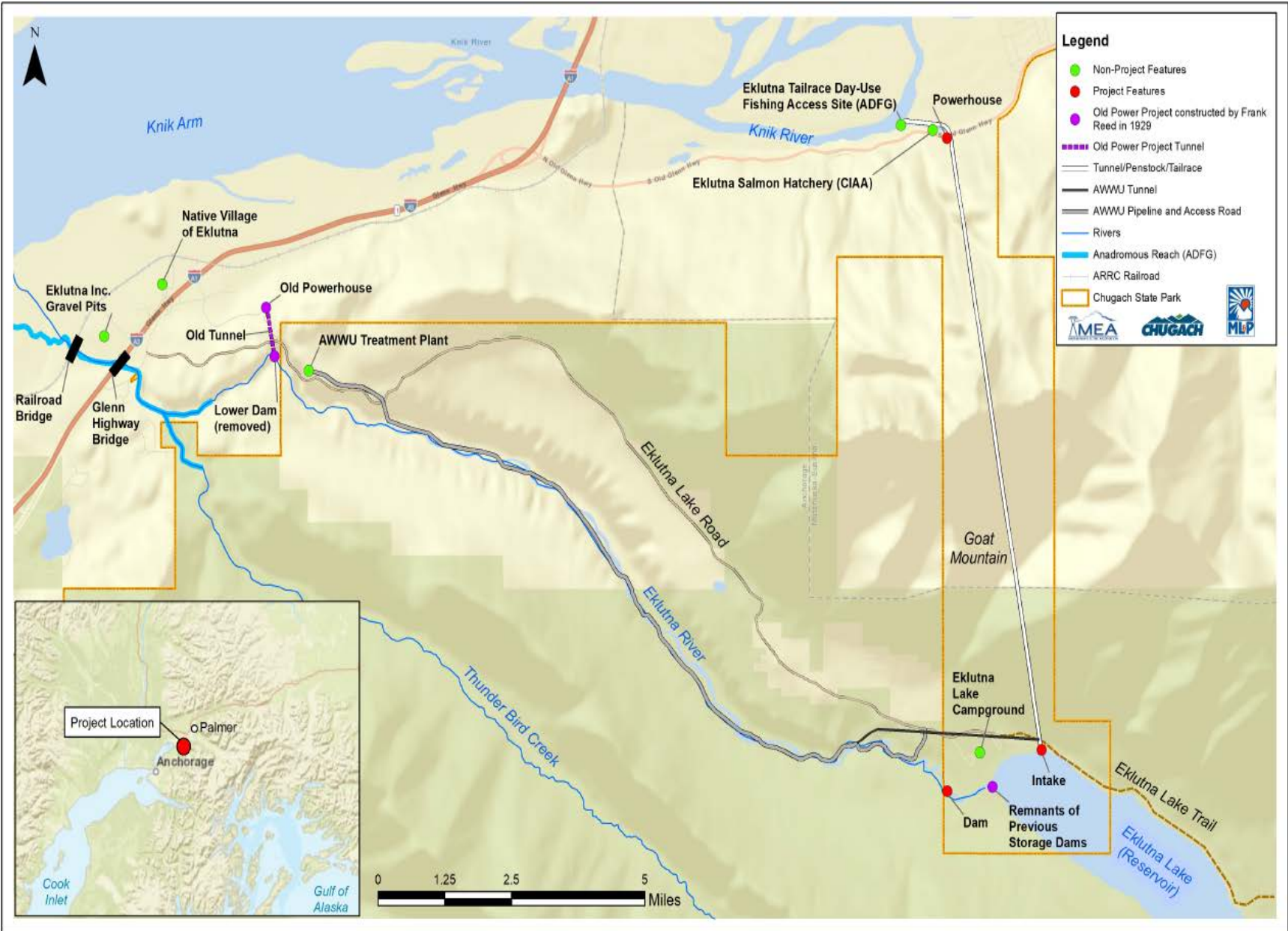
The Anchorage Hydropower Utility is an enterprise of the Municipality of Anchorage (MOA).

In 2020, the MOA sold Municipal Light & Power (ML&P) and with the closing of the sale transaction to Chugach Electric Association, Inc. (CEA), the nature of the electric service provided by the MOA converted from the provision of retail electric service to a significant portion of Anchorage, through generation, transmission, and distribution facilities, to the far more limited provision of wholesale-generation service through long-term contracts with two utility customers. MOA's ownership interest in the generation assets of the Eklutna Hydroelectric Project ("Eklutna Project") was not transferred to CEA and was retained by the MOA, as the Anchorage Hydropower Utility.

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



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



Anchorage Hydropower Business Plan

Mission

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

Services

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

Business Goals

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

Strategies to Achieve Goals

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

Performance Measures to Track Progress in Achieving Goals

1. Maintain positive Net Income

About Anchorage Hydropower Utility

History

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

Services

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

The Eklutna Lake is the main source of Anchorage’s drinking water and a major source of electricity via a hydroelectric dam that diverts almost all of the water that used to comprise the Eklutna River. Eklutna hydroelectric power is the lowest cost renewable energy in Southcentral Alaska.

Regulation

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

Anchorage Municipal Code (AMC) section 26.10.068 provides that revenue received from CEA Power Purchase Agreement (PPA) must be distributed to the MOA Trust Fund. It also provides that additional revenue may be distributed to the general government budget, subject to the requirement that the utility maintain sufficient reserves to meet anticipated capital and operating expenses and as required by the RCA.

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

Physical Plant

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

The rehabilitated dam was damaged in the 1964 earthquake, at which point a new and taller embankment dam was constructed just downstream. The new dam is an earth and rockfill structure 815 feet long and 41 feet high with a rectangular concrete spillway that runs through the dam. Eklutna Lake, approximately 7 miles long and 1 mile wide, is located within Chugach

State Park and provides almost 90 percent of the domestic water supply for the MOA. The intake structure for the Eklutna Project is located 36 feet below the natural lake level. From there, water is diverted north into a 4.6-mile-long tunnel through Goat Mountain and then into a 1,370-foot-long penstock before reaching the powerhouse located on Old Glenn Highway. The tailrace flows under the highway and then discharges into the Knik River. The powerhouse contains two generating units.

Visit the Eklutna Hydropower website at: <https://www.eklutnahydro.com/background/>

Anchorage Hydropower Utility External Impacts

A Fish & Wildlife Agreement in 1991, with the United States Fish and Wildlife Service (USFWS), the National Marine Fisheries Service (NMFS), and the State of Alaska (the State) came to an agreement that requires the owners to:

- examine, and quantify if possible, the impacts to fish and wildlife from the Eklutna Hydroelectric Project
- examine proposals for the protection, mitigation and enhancement of fish and wildlife affected by the hydroelectric development
- consider the impacts of any protection, mitigation, or enhancement (PME) measures on other environmental resources and beneficial public uses as well as available means to mitigate those impacts
- develop and propose a Fish & Wildlife Program to the Governor.

The Governor will then review the proposal and issue a final Fish & Wildlife Program giving equal consideration to:

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

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

Source: Eklutna Hydro. Accessed September 11, 2023. <https://www.eklutnahydro.com/background/>

Anchorage Hydropower Utility Capital Overview

Capital Project Selection Process

The Eklutna Operating Committee (EOC), of which the Municipality is a member, reviews engineering and operating reports, maintenance schedules, and other information about the condition of the generation assets of the Eklutna Power Project (the Project). The EOC develops a five-year capital plan and develops and approves a current year capital project budget based on need, available resources, and schedule.

Significant Projects

Fish & Wildlife Project – In compliance with the 1991 Fish and Wildlife Agreement between the Eklutna project owners, the Federal government, and the State of Alaska, Anchorage Hydropower is responsible to pay for 19.04% of the costs associated with developing and implementing a Fish & Wildlife Study Plan, designed to mitigate any effects of the hydroelectric activity of the Project on fish and wildlife in the area.

Impacts on Future Operating Budgets

The entity must retain equity for the payment of capital projects in the future. The Municipality is responsible for 19.04% of the Eklutna generation capital expenditures and any future Fish & Wildlife project expenditures.

Anchorage Hydropower Utility
8 Year Summary
(\$ in thousands)

Financial Overview	2023	2024	2025	2026	2027	2028	2029	2030
	Actuals Unaudited	Proforma	Proposed	Forecast				
Revenues	5,344	4,844	4,914	4,962	5,007	5,052	5,097	5,142
Expenses and Transfers ⁽¹⁾	3,407	3,889	5,987	6,036	6,085	6,134	6,183	6,232
Net Income(Loss)	1,937	955	(1,073)	(1,074)	(1,078)	(1,082)	(1,086)	(1,090)
Charges by/to Other Departments	35	36	35	36	37	38	39	40
Dividend to General Government	300	300	1,000	300	300	300	300	300
Transfers to General Government ⁽²⁾	335	336	1,035	336	337	338	339	340
Operating Cash	804	300	515	533	551	572	592	592
Construction Cash Pool	-	1,654	1,075	872	724	786	780	1,300
Restricted Cash	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Cash	3,804	4,954	4,590	4,405	4,275	4,358	4,372	4,892
Net Position/Equity 12/31	5,200	10,900	9,827	8,753	7,675	6,593	5,507	4,417
Capital Assets Beginning Balance	-	8,175	8,883	9,483	10,083	10,683	12,445	14,608
Asset Additions Placed in Service	8,175	708	600	600	600	1,762	2,163	3,431
Net Capital Assets (12/31)	8,175	8,883	9,483	10,083	10,683	12,445	14,608	18,039
Equity Funding Available for Capital	-	-	600	600	600	1,762	2,163	3,431

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

⁽²⁾ Included in total expenses calculated in Net Income.

Anchorage Hydropower Utility Statement of Revenues and Expenses

	2023 Actuals Unaudited	2024 Proforma	\$ Change	2024 Revised	\$ Change	2025 Proposed	25 v 24 % Change
Operating Revenue							
Wholesale Power Sales	2,016,174	1,615,991	-	1,615,991	16,160	1,632,151	1.00%
Water Diversion Income	284,247	270,614	(20,614)	250,000	-	250,000	0.00%
Total Operating Revenue	2,300,421	1,886,605	(20,614)	1,865,991	16,160	1,882,151	0.87%
Non Operating Revenue							
Chugach Revenues	2,565,103	2,588,597	(0)	2,588,597	25,886	2,614,483	1.00%
Investment Income	478,157	369,000	-	369,000	48,000	417,000	13.01%
Other Income	-	24	(24)	-	-	-	0.00%
Total Non Operating Revenue	3,043,260	2,957,621	(24)	2,957,597	73,886	3,031,483	2.50%
Total Revenue	5,343,681	4,844,226	(20,638)	4,823,588	90,046	4,913,634	1.87%
Operating Expense							
Salaries and Benefits	-	25,000	163,609	188,609	595	189,204	0.32%
Overtime	-	-	-	-	-	-	0.00%
Total Labor	-	25,000	163,609	188,609	595	189,204	0.32%
Supplies	-	-	3,000	3,000	(3,000)	-	-100.00%
Travel	-	-	24,000	24,000	(24,000)	-	-100.00%
Contractual/Other Services	206,667	207,039	66,961	274,000	(60,000)	214,000	-21.90%
Equipment/Furnishings	-	-	30,000	30,000	(30,000)	-	-100.00%
Transfers to Other Funds	2,562,967	3,020,030	(431,433)	2,588,597	1,658,037	4,246,634	64.05%
Dividend to General Government	300,000	300,000	-	300,000	700,000	1,000,000	233.33%
Manageable Direct Cost Total	3,069,634	3,527,069	(307,472)	3,219,597	2,241,037	5,460,634	69.61%
Municipal Enterprise/Utility Service Assessment	-	-	-	-	-	-	0.00%
Depreciation/Amortization	302,276	301,362	-	301,362	-	301,362	0.00%
Non-Manageable Direct Cost Total	302,276	301,362	-	301,362	-	301,362	0.00%
Charges by/to Other Departments	34,954	35,711	-	35,711	(395)	35,316	-1.11%
Total Operating Expense	3,406,864	3,889,142	(143,863)	3,745,279	2,241,237	5,986,516	59.84%
Non Operating Expense							
Total Non Operating Expense	-	-	-	-	-	-	0.00%
Total Expense	3,406,864	3,889,142	(143,863)	3,745,279	2,241,237	5,986,516	59.84%
Net Income (Loss)	1,936,817	955,084	123,225	1,078,309	(2,151,191)	(1,072,882)	-199.50%
Appropriation:							
Total Expense		3,889,142	(143,863)	3,745,279	2,241,237	5,986,516	59.84%
Less: Non Cash Items							
Depreciation/Amortization		300,966	396	301,362	-	301,362	0.00%
Total Non-Cash		300,966	396	301,362	-	301,362	0.00%
Amount to be Appropriated (Function Cost/Cash Expense)		3,588,176	(144,259)	3,443,917	2,241,237	5,685,154	65.08%

Anchorage Hydropower Utility Reconciliation from 2024 Revised Budget to 2025 Proposed Budget

	Expenses	Positions		
		FT	PT	Temp/ Seas
2024 Revised Budget (Appropriation)	3,443,917	1	-	-
2024 One-Time Requirements				
- REVERSE 2024 1Q ONE-TIME Furniture	(30,000)	-	-	-
Transfers by/to Other Departments				
- Charges by Other Departments	(395)	-	-	-
- Transfer to Other Funds	1,658,037	-	-	-
Changes in Existing Programs/Funding for 2025				
- Salaries and benefits adjustments	595	-	-	-
2025 Continuation Level	5,072,154	1	-	-
Transfers (to)/from Other Agencies				
- Dividend to General Government	700,000	-	-	-
2025 Proposed Budget Changes				
- Office Supplies	(3,000)	-	-	-
- Office Lease Space	(60,000)	-	-	-
- Travel	(24,000)	-	-	-
2025 Proposed Budget	5,685,154	1	-	-
2025 Budget Adjustment for Accounting Transactions (Appropriation)				
- None	-	-	-	-
2025 Proposed Budget (Appropriation)	5,685,154	1	-	-
2025 Proposed FTE				
	1.0	1.0	-	-

Anchorage Hydropower Utility 2025 Capital Improvement Budget

(in thousands)

Projects	Debt	State	Federal	Equity	Total
Fish & Wildlife	-	-	-	325	325
Total	-	-	-	325	325

Anchorage Hydropower Utility 2025 - 2030 Capital Improvement Program

(in thousands)

Projects	Year	Debt	State	Federal	Equity	Total
Plant						
Fish & Wildlife	2025	-	-	-	325	325
	2026	-	-	-	325	325
	2027	-	-	-	325	325
	2028	-	-	-	325	325
	2029	-	-	-	325	325
	2030	-	-	-	325	325
		-	-	-	1,950	1,950
	Total	-	-	-	1,950	1,950

Fish & Wildlife

Project ID 2021003 **Department** Anchorage Hydropower Utility
Project Type Rehabilitation **Start Date** January 2021
District **End Date** December 2030

Community Council**Description**

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

Comments

The Eklutna Operations Committee has approved projects that are required for components of generators. The Chugach Electric Association (CEA), Municipality of Anchorage (MOA), and Matanuska Electric Association (MEA) proportionately share the costs as approved in the sale agreement:

CEA - 64.29%
MOA - 19.04%
MEA - 16.67%

Version 2025 Proposed

		2025	2026	2027	2028	2029	2030	Total
Revenue Sources	Fund							
Net Position	531200 - Anchorage Hydropower CIP	325	325	325	325	325	325	1,950
Total (in thousands)		325	325	325	325	325	325	1,950