

Municipality
of
Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

September 22, 1995

Internal Audit Report 95-15
Bradley Lake Power Sales Agreement
Municipal Light and Power

Introduction. Municipal Light and Power (ML&P), in connection with their interest in the Bradley Lake Hydroelectric Project (Project), entered into an agreement for the sale and purchase of electric power ("Power Sales Agreement") with the Alaska Energy Authority (AEA) for the purchase of power from the Project. ML&P, along with the remaining participating utilities (Participants), agreed to pay the annual project costs associated with the Project. In February of 1993, an airplane accident occurred in association with the Project. Costs for the airplane accident were included in the annual project costs for fiscal years 1993 and 1994. The total cost charged to the Participants was \$123,618.57. ML&P's percentage share of the cost was \$32,017.21 or 25.9%.

Scope. At the request of ML&P, we performed a review and analysis of the costs and settlement of damages resulting from the February 1993 airplane accident associated with the Bradley Lake Project. The objective of the audit was to determine whether the Participants have been assessed the proper amounts.

Summary of Findings.

1. Based on our review and analysis of costs resulting from the airplane accident, it is our opinion that a total of \$24,599.99 was overcharged to the Participants. Workers' compensation insurance reimbursements received by AEA had not been allocated to the Participants offsetting the salary expense charged.
2. According to correspondence from the State of Alaska, Department of Administration, Division of Risk Management, insurance claim recoveries are still in negotiation and will not likely be settled in the near future.

Recommendation. ML&P should request reimbursement for their percentage share of the amount overcharged.

Management Comments. Management concurred and stated, "ML&P will work with the other Bradley Lake Participants to obtain reimbursement for the amount overcharged."

Evaluation of Management Comments. Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal Officials on September 20, 1995.



Peter Raiskums, CIA
Director, Internal Audit

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