DOYON UTILITIES LLC

April 2011

What's Happening

DOYON UTILITIES' MONTHLY PROGRESS AT-A-GLANCE

Accounting, the HUB of a Utility's Operations

Often, the accounting department personnel are behind the scenes and only get noticed when bills aren't paid, employees don't receive their pay check on time or an audit finding indicates procedures do not follow acceptable practices. In reality, these responsibilities are only the proverbial tip of the iceberg and not a reflection of the outstanding work they routinely do. Simply stated, accounting is integrated into every aspect of a utility's operations.

Doyon Utilities Accounting Team

Accounting professionals in a regulated utility such as Doyon Utilities must adhere to utility accounting practices that are unique to our industry. In order for operations to be transparent, every financial transaction must be documented, redundantly verified and accurately reflected in the financial statements. During the process, many sets of eyes ensure accountability is maintained. It sounds like an easy process but as with most efforts, the "Devil is in the Details".

CFO Doug Bishop leads a talented group of professionals responsible for every financial transaction within the company. On an "average" day each employee plays a vital role in the utility's operations. The process frequently starts with a Job Initiation Form (JIF) to obtain approval from senior management for employees to expend funds on new capital work. Once approved, an accounting employee assigns a job number which initiates cost tracking for that project from cradle to grave. While other departments provide purchasing and related support, the accounting department conducts all financial transactions on behalf of the company. They are truly the hub around which other operations revolve.

The functions performed by accounting include an accounts payable technician to review invoices, ensure adequate documentation of all expenditures and preparation of payments to vendors along with a myriad of other tasks. To ensure that all expenditures are prudent and necessary, multiple employees review the invoices before they are paid. In today's age of technology, most of the payments are paid electronically to reduce cost and to ensure delivery before late charges are incurred.

Another essential employee of accounting is the General Ledger Specialist who reviews all financial transactions for accuracy and assists with the preparation of tax documents. This is a daily task that includes serving as the Quality Control representative on accounts payable and payroll transactions. Simply stated, this person often detects anomalies before they are seen anywhere else within the company.

The Senior Utility Accountant oversees the long term debt as well as cash reconciliations within the company. A healthy regulated utility has a desired debt to equity ratio and Doyon Utilities strives to meet that desired ratio. In addition to his other duties, the Senior Utility Accountant provides quality control over the accounts payable and accounts receivables activities.

A utility has hundreds or thousands of assets to maintain, depreciate and replace during the normal course of business. In a 50 year contract such as provided in utility privatizations, it is a "never ending job" for the Fixed Asset Technicians. They assign the fixed asset numbers, assist in preparation of depreciation schedules, remove retired assets from the inventory and document the entire life history of each asset in the company. Central to their effort is to document every capital cost of an asset so that balance sheets accurately reflect the value of the company's assets.

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Recently, Doyon Utilities converted an accounting position to a Financial Analyst to look at contract modifications, contract provisions, and maintain the 50 year financial model as outlined in the Doyon Utilities utility privatization contract. The financial analyst will be able to provide projections against the listed assets reflected in the model and outline impacts caused by Requests for Proposals on unanticipated projects. If it was ever appropriate for someone to have a crystal ball in accounting it would be the Financial Analyst.

And if you were to ask any employee who the Most Valuable Employee within the accounting department is they would overwhelmingly respond that it is the payroll technician. Doyon Utilities employees count on being paid every two weeks, their paycheck accurately reflects what they are owed and deductions are properly taken from their pay. If everyone worked a straight 8-5 workday the payroll function would be an easy task. However, that is not the case. Shift personnel work at each Doyon Utilities location and their pay is seldom the same from one payday to the next. Pay computations, shift differentials, hazard pay adjustments, tax deductions, retirement and 401(k) transactions are only a few of the weekly adjustments to an employee's pay. It is easy to understand why the payroll technician is so important to employees.

One might assume that the accounting department has multiple employees to accomplish these many tasks but in reality, Doyon Utilities' accounting department is "one deep" at each position. Through an extensive cross training effort and willingness by the employees to do whatever is asked of them they are able to get the mission accomplished. They exhibit a sense of pride in their accomplishments and with each passing month they achieve greater efficiencies. And finally, the CFO makes everything work in concert. As CFO Doug Bishop so aptly puts it "my department is coming together nicely but it never gets boring!" For the rest of us, the accounting department is truly at the center of the utility's operations.

Fort Wainwright

Leveraging Geographical Information System (GIS)

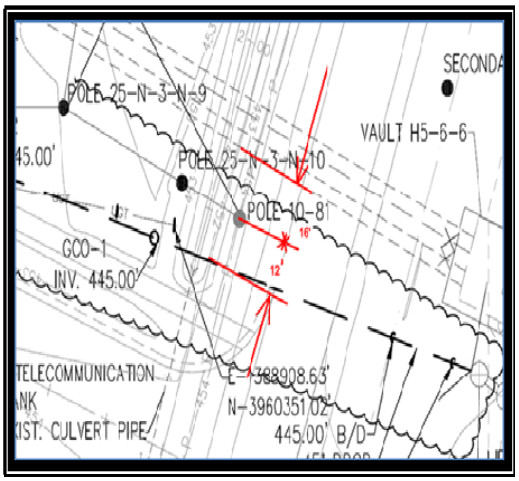
By: Wily Splain

Many utility companies must respond to public, regulatory, and legislative inquiries that are geographic in nature. Doyon Utilities is no exception. However, geographic inquiries are not limited to those outside utility operations.

Two frequently asked questions during utilities project plan are variations of: "What is it?" and "Where is it?". That's another reason DU strives to accurately portray its entire inventory of utility assets within our Geographical Information System (GIS). All new Doyon Utilities (DU) projects contain a requirement to capture and upload GIS data for any newly installed utility asset. Typical utility assets located in DU's GIS system include: Utility poles, water, steam & sewer piping, utilidor, structures including lift stations, and the like. These are all located within a system that already includes many other GIS features (sometimes referred to as layers) including roads, buildings, aerial photos, existing utilities, and more. Locating our utilities within DU's GIS system adds tremendous value in:

- <u>Internal Project planning</u>
  - ⇒ Easy access to utility location information
  - ⇒ Comparison of different types of utility lines and base maps
  - ⇒ Flexible analysis options
- <u>Analysis and modeling</u>
  - ⇒ Rendering "what if?" scenarios
  - ⇒ Analyzing alternative routing options
  - ⇒ Future planning
- <u>External project coordination</u>
  - ⇒ Easy map distribution/sharing
  - ⇒ Efficient updating of asset location

DU's Project Managers often use the GIS system to aid in planning work within specific projects. Project FTW-336C *Vehicle Maintenance Facility*, for example, required careful consideration of the location of existing utilities including power pole locations in order to minimize conflicts with existing utility infrastructure when planning a route for new utilities through the somewhat congested project area.



Example of planning a route for new utilities through the somewhat congested project area.

The DU GIS system was just the tool for the job since it allowed proposed routing to be overlain with existing infrastructure for efficient conflict analysis.

Fort Greely

2011 FGA Summer Projects

By: Mike Lanegan, Project Manager

Fort Greely has multiple projects planned for the summer of 2011. Several of the larger projects include utility piping replacements at Allen Army Airfield and along Arctic Avenue. In addition, HVAC work at the sewage treatment plant, a central heat and power plant boiler replacement, and several other small projects are on tap for this season.

Doyon Utilities has several other capital improvements in motion. These efforts are on line to support the housing expansion efforts associated with Actus developments and include the FGO Loop electrical installation and the FGO Water Piping Emplacement. Two projects from 2010 will also receive final landscaping and general site clean-up that were not completed last season as winter conditions precluded these efforts.

Building 633, the sewage treatment plant, which is slated for significant upgrades.

Rebuild Feeder 1

By: Steve Hatzis, Project Manager

The Rebuild of Feeder 1 project involves the rebuild of approximately five miles of Feeder 1, including two miles of neutral line at the Davis Range.

The design start date was January 3, 2011 and construction will begin on March 15, 2011. The old power poles, conductors and other pieces of equipment are undersized for present and future requirements.

Furthermore, the system is 50 years old, which is past its useful life. This new work will include the conversion of Feeder 1 from 7.2 kV delta to 12.5 kV wye to increase capacity and improve reliability with improved relaying and fusing.

The expected construction completion date is November 30, 2011.

JBER

Standby Generators at D Street Substation

By: Bill Farrell, Project Manager

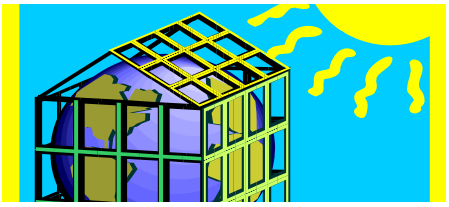
The D Street Substation Project installed three new 3.0 MW Caterpillar standby generators at the new D Street Substation which is located off of Otter Lake Road and D Street. These generators are replacing the old Enterprise generators that are in Building 772.

The substation construction started in the summer of 2010. The site work and underground conduits for power and controls were installed and concrete pads were constructed. The generators were delivered in the fall and placed on the pads by the contractor, NC Machinery. Each generator is contained in its own Arctic enclosure. The enclosure contains the controls needed to operate and monitor each generator. A 3300 gallon fuel tank is located in the base of each enclosure. The radiators are externally mounted on a separate base. Each generator is fully independent of the others so maintenance on one unit will not affect the availability of the others.

The project is currently in the final stages of testing. The tests involve utilizing the power grid to provide a load for all three generators. The engines will be run at varying loads from 2.5 MW to 3.0 MW each to ensure that they will be ready for service. They must each complete a 48 hour endurance run without interruption in order to be considered complete. The endurance test is the last milestone for the generator project.

The substation project was designed by Electric Power Systems of Anchorage. The Arctic enclosures and generators were designed by NC Machinery and their subcontractors. The two groups have been working together to ensure that all equipment interfaces together for a complete system. This project provides backup power to the Doyon Utilities operated electrical distribution system at JBER. The full load capacity of the three units is approximately 75% of the post load. This is a substantial increase over the old system. The reliability of the new generators and reduced maintenance needs will also be a benefit to JBER and Doyon Utilities.

Environmental



Mandatory Reporting of Greenhouse Gases

By: Kathleen Hook, Environmental Program Manager

On September 22, 2009 the Environmental Protection Agency (EPA) signed their "Mandatory Reporting of Greenhouse Gases Rule." The new rule went into effect on January 1, 2010.

This rule required that certain types of operations, such as coal fired power plants that release annual emissions of 25,000 metric tons or more per year of Greenhouse Gases (GHG) are required by law to submit annual reports to EPA.

The purpose of the rule is to collect accurate and timely GHG data to form future policy decisions. To collect this data, EPA developed an electronic reporting method called the Electronic Greenhouse Gas Reporting Tool or "e-GGRT" which allow facilities to upload their GHG data. No paper submittals are accepted.

Originally, the deadline for facilities to provide the initial 2010 GHG data report was March 31, 2011, but EPA has recently extended the deadline for the data report to September 30, 2011. This extension will allow EPA to further test the system, and give industry the opportunity to test the tool, provide feedback and have sufficient time to become familiar with it prior to reporting.

DU has collected and prepared the information from the Fort Wainwright Central Heating Power Plant (FWA CHPP) for the 2010 GHGs reporting and is ready to submit the required data to the EPA's eGGRT when required.

Safety Matters

North American Occupational Safety & Health Week

By: Jeremy Phillips, Safety Coordinator

Each year, thousands of businesses and people worldwide join with the American Society of Safety Engineers (ASSE), and its more than 33,000 occupational safety, health and environmental (SH&E) professional members to raise awareness about the importance of preventing work injuries and illnesses during North American Occupational Safety and Health (NAOSH) Week. This year's NAOSH Week, May 1-7, is themed 'Celebrating a Century of Safety' in honor of ASSE's 100th Anniversary. Occupational Safety and Health Professional (OSHP) Day will be celebrated on May 4. Please take the time to thank a Safety Professional.

Construction Season

The summer is upon us and construction operations on our facilities are gearing up. Along with some of these projects, new electrical lines and trenching and excavation operations will be taking place as DU begins another summer of system improvements and upgrades.

Some Safety Hazards to keep in mind while conducting these operations are:

Traffic control: As W/WW and electric lines are being installed or replaced and new facilities upgrades are constructed, periodic traffic revisions may be necessary. If you are the public please bear with us, if you are an employee please make sure all traffic equipment is placed properly and that high visibility safety vests are worn to identify you as a worker.

Trenching & Excavation operations can present some of the greatest potential hazards faced during the construction season by both employees and the public, please keep clear of these sites if at all possible and make sure any children in the vicinity are aware that it is not safe to play in or around these sites. Cave-ins can happen at any time and can be the result of:

•Vibration of nearby construction equipment or vehicle traffic.

•Weight of equipment that is too close to the edge of the trench.

•Soils that do not hold tightly together.

•Soil that has been dug in before is not as stable as undisturbed earth.

•Water weakening the strength of the trench sides.

Additional hazards that can be associated with these operations are:

•Hazardous atmospheres – may be generated as toxic gases can be released by the digging, or accumulate in the bottom of the trench.

•Underground utilities – Exposed utilities present their own unique dangers if exposed during these operations. The location of any utility services must be located before digging. Call the dig line at 811.

Safety is a full time job; don't make it a part time practice.