

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

TABLE OF CONTENTS

BUDGET RESOLUTION

Resolution No. 09-2292A-1

TRANSMITTAL LETTERB-1

SUMMARIES

Estimate of Funds Available C-1
Summary of Expenditures - All Divisions C-2
Number of Employees..... C-3
Reserve Requirements..... C-4
Source of Funding C-5
Organizational Chart C-6

DEBT SERVICE ANALYSIS

Revenue Bond ScheduleD-1
Schedule of Debt Service CoverageD-2
Annual Debt Service.....D-3

REVENUE

Electric Revenue Summary Report E-1
Telecommunications Revenue Summary Report..... E-2
Water Revenue Summary Report E-3
Other Revenue Summary Report..... E-4
Combined Revenue Summary Report..... E-5

DIVISION APPROPRIATIONS AND PERSONNEL SCHEDULES

Mayor and Council F-1
City Law F-2
City Clerk..... F-3
Human Resources..... F-4
Finance - General Accounting F-5
Finance - Office Services F-6
Information Technology – Information Technology F-7

Administration Division Summary.....G-1
Administration Division OperationsG-15
Administration – CapitalG-17

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

TABLE OF CONTENTS (Continued)

DIVISION APPROPRIATIONS AND PERSONNEL SCHEDULES (Continued)

Engineering Division Summary.....H-1
Engineering Division Operations.....H-9

Sales, Marketing & Customer Service Summary I-1
Sales, Marketing & Customer Service Operations I-9
Sales, Marketing & Customer Service Division Capital I-11

Electric Division Summary J-1
Electric Division Operations J-11
Electric Division Capital J-13

Telecommunications Division Summary K-1
Telecommunications Division Operations K-16
Telecommunications Division Capital K-18

Water Division Summary.....L-1
Water Division Operations.....L-10
Water Division Capital.....L-11

Other.....M-1

RESOLUTION NO. 09-2292

**A RESOLUTION ADOPTING THE BUDGET FOR THE YEAR 2010
APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR
THE FISCAL YEAR 2010; AND ESTABLISHING AN EFFECTIVE DATE.**

BE IT RESOLVED by the Council of the City of Ketchikan, Alaska as follows:

Section 1: That the budget for the year 2010, entitled KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET, is hereby adopted.

Section 2: That the sum of \$55,411,715 as shown in the following items of appropriations is appropriated for Ketchikan Public Utilities Enterprise Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2010:

<u>Item of Appropriation</u>	<u>Total</u>
1. Mayor and Council	187,300
2. Law	149,000
3. City Clerk	113,000
4. Human Resources	156,000
5. Finance-General Accounting	561,000
6. Finance-Office Services	193,000
7. Information Technology	575,000
8. Administration	729,537
9. Engineering	584,423
10. Customer Service	2,059,811
11. Electric	21,225,269
12. Telephone	11,275,546
13. Water	8,509,027
14. Other	4,376,397
Subtotal	<u>50,694,310</u>
15. Appropriated Reserves	<u>4,717,405</u>
Total Appropriations	<u><u>\$55,411,715</u></u>

Section 3: This resolution shall be effective upon its passage and approval.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 17th day of December, 2009



Lew Williams III, Mayor

ATTEST:



Katherine M. Suiter, City Clerk



November 5, 2009

The Honorable Mayor Lew Williams III
and Members of the City Council
City of Ketchikan, Alaska
334 Front Street
Ketchikan, Alaska 99901

Pursuant to Section 5-2 of the Ketchikan City Charter, the 2010 Proposed Budget (the “2010 Budget”) for Ketchikan Public Utilities (KPU) is respectfully submitted. In accordance with Section 5-4 of the Charter, the City Council must adopt a final spending plan no later than the third day before the beginning of the next fiscal year, which is December 29, 2009. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2010 Budget attempts to reflect the ongoing efforts of the City Council to maintain and deliver cost effective electric, telecommunications and water utility services to the community of Ketchikan. Staff believes that the proposed spending plan for 2010 effectively balances the available financial resources of KPU against the utility service needs of the community. The programs and services contained within the proposed spending plan were developed by the KPU Division Managers and were subsequently reviewed and modified as necessary by the Office of the General Manager and the Finance Director. The operating goals and programs of the Electric, Telecommunications and Water Divisions were predicated on the continuation of basic service delivery and long-range issues that manifested themselves over the course of the past year and during the development of the Capital Improvement Program.

The economic issues facing the community of Ketchikan were considered during the preparation of the proposed spending plan for KPU. Although KPU is not supported by tax dollars, it does depend on its residential and commercial ratepayers to provide the resources necessary to finance its operations. A discussion of the local economy can be found in the transmittal letter for the 2010 General Government Budget. The table below lists key operating statistics for KPU for the past five years.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Electric Customers	7,161	7,202	7,251	7,305	7,346
Energy Sales - mWh	145,396	145,244	152,160	154,803	159,340
Telecommunications Access Lines	10,131	9,840	9,554	9,039	8,122
Water Customers	2,878	2,928	3,034	3,230	3,223

In 2008, the number of electric customers increased by .5 percent and energy sales increased by 2.8 percent. Most of the increase in energy sales came from customers converting from heating oil to electric heating and the growth of commercial businesses operating during tourism season. Energy sales peaked in 1999 at 160,481 mWh. The number of water customers decreased by .2 percent in 2008. The number of telecommunications access lines declined by 10.1 percent. The number of access lines has been decreasing in recent years because of increased competition for local phone services.

MAJOR BUDGET AND FISCAL ISSUES

During the course of preparing the proposed KPU budget for the next fiscal year, certain issues were identified that may affect the long-term finances of KPU, its operations and the proposed spending plan for 2010. Staff believes that the City Council should be aware of these issues and may want to consider them during its budget deliberations. Each issue is outlined below along with recommendations from staff, if warranted. In most cases, staff has incorporated its recommendations into the proposed spending plan in order to show the effects of the recommendations on the spending plan. Staff recognizes that the final resolution of these issues will be determined by the City Council and that the spending plan may be adjusted accordingly.

Water Utility Rates: Management continues to express concerns about the adequacy of water utility rates to finance the Water Division's cost of operations, the capital cost of replacing or maintaining its utility systems, and the cost of complying with unfunded mandates being imposed upon the utility by federal and state regulatory bodies. These concerns can be best understood by reviewing the following table, which shows the audited operating results of Water Division for the past five years.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenues	1,554,755	1,606,918	1,756,103	1,949,748	2,067,067
Operating Expenses	2,406,152	2,585,863	2,655,822	2,739,228	2,787,675
Operating Income	<u>(851,397)</u>	<u>(978,945)</u>	<u>(899,719)</u>	<u>(789,480)</u>	<u>(720,608)</u>
Non-Operating Rev (Exp)					
Interest Expense	(388,674)	(356,529)	(331,084)	(303,898)	(272,511)
Other	3,929	11,906	23,403	67,875	78,800
	<u>(384,745)</u>	<u>(344,623)</u>	<u>(307,681)</u>	<u>(236,023)</u>	<u>(193,711)</u>
Net Income (Loss)	<u><u>(1,236,142)</u></u>	<u><u>(1,323,568)</u></u>	<u><u>(1,207,400)</u></u>	<u><u>(1,025,503)</u></u>	<u><u>(914,319)</u></u>

Despite a series of rate increases of 2.5 percent, 10 percent, 5 percent, 1.75 percent and 11.4 percent in 2004, 2006, 2007, 2008 and 2009, respectively, the water utility continues to incur significant operating losses as operating expenses continue to rise. The losses are expected to increase as the utility begins to incur debt service on the \$7.8 million in revenue bonds that were recently authorized and issued to finance water main improvements and new water treatment facilities. Management continues to recommend that the City Council consider gradual rate increases for the water utility in order to address the rising cost of operations and to reduce the subsidies from the electric and telecommunications utilities. A 15 percent increase in water utility rates has been incorporated into the proposed 2010 KPU Budget.

Electric Utility Infrastructure Development: The demand for energy continues to rise and it appears to be driven by the conversion from heating fuel to electric heat or dual heating systems. Sales for electric energy increased by 2.8 percent in 2009. Energy sales peaked at 160,500,000 kWh. The expansion of the Alaska Ship and Dry Dock and the recently completed submarine cable that crosses Tongass Narrows to Gravina Island are expected to increase energy sales.

Developing and constructing additional generation resources remains one of KPU's highest priorities. Cheap, reliable power is necessary to promote and sustain economic growth. Recognizing the urgency to bring these resources on line as soon as possible, KPU has elected to undertake the following projects in its efforts to meet the current and future demand for energy:

- Swan Lake-Lake Tyee Intertie;
- Whitman Lake Hydroelectric Project;
- Metlakatla Intertie/Triangle Lake Hydroelectric Project

The Swan Lake-Lake Tyee Intertie is nearing completion and should be completely energized by the end of 2009. The Whitman Lake Hydroelectric Project is a KPU owned hydroelectric project capable of producing 16,200,000 kWh or about 10 percent of the current demand for energy. The project is estimated to cost about \$18 million. The FCC recently issued KPU a license for this project. The Metlakatla Intertie/Triangle Lake and Mahoney Lake Hydroelectric Projects are currently under review. KPU is working towards the development of a power sales agreement with Metlakatla Indian Community to purchase power from Metlakatla Light & Power.

The conversion to electric heat is also affecting other infrastructure owned by KPU. The Bethe substation is undersized for the current load that it is required to carry and will not be able to handle the anticipated growth in energy demand when the Ketchikan Gateway Borough School District converts its facilities to dual heating systems. The cost of upgrading or replacing the Bethe Substation could reach \$10 million.

The cost of constructing new generation and substation projects is expensive. The plan to finance these projects will most likely consist of a combination of grants, direct state legislative appropriations and revenue bonds. KPU needs to be careful when issuing debt to finance these projects because of the debt service covenant in its bond ordinances. To the extent that these projects do not increase revenues, the issuance of new debt could cause rates to increase.

Future of the Telecommunications Division: In 2008, the City engaged Falkenberg Capital Corporation to evaluate the feasibility of the City continuing ownership of its telecommunications utility. The firm issued its report in August 2008. The firm was of the opinion that the telecommunications industry is becoming increasingly competitive and technologically complex, and that the City would be required to put forth a substantial commitment of financial resources in order to stay in the business. The firm concluded that the City would most likely not be well positioned financially to remain competitive as a telecommunications provider and was at risk of experiencing deterioration in the current value of the assets of the telecommunications utility the longer it remained a part of KPU. The City Council has yet to take any official action on this recommendation.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2010, it was necessary for management to make certain assumptions regarding the operations and finances of KPU. Management recognizes that some of the assumptions will require further direction from the governing board and that the direction provided may result in different assumptions, which may materially affect the proposed spending plan. The key assumptions used to compile the spending plan for 2010 are as follows:

- Step increases, as permitted by the compensation plan and the I.B.E.W. collective bargaining agreement, have been provided for all employees except for the General Manager. No cost of living adjustment has been programmed. The collective bargaining agreement between KPU and IBEW Local No. 1547 expires on December 31, 2009. No provision for the renewal of this agreement has been made to the proposed spending plan for 2010.
- A 15 percent increase in water utility rates has been programmed, effective March 1, 2010.
- Insurance costs will increase by 9 percent because of the recently completed property insurance appraisal.
- Annual debt service will increase as a result of issuing \$1.8 million through the ADEC Drinking Water Loan Program.
- A 10 percent increase for health insurance premiums, effective July 1, 2010, has been programmed for the Blue Cross and IBEW health insurance plans. The Blue Cross increase will be shared equally by KPU and its employees. The IBEW health insurance will be shared by KPU and its employees in accordance with a formula incorporated into the collective bargaining agreement.
- A 1.5 percent rate of return on investments has been programmed to reflect the investment climate for fixed income investments expected in 2010.
- The cost of power purchased from the Southeast Alaska Power Agency has been programmed to remain at the current rate of 6.8 cents per kWh.
- A purchased power rebate from the Southeast Alaska Power Agency has not been programmed.

- Unemployment claims includes \$46,000 to cover the projected increase in the cost of unemployment claims arising from the reduction of the KPU's work force.
- An across-the-board 15 percent decrease in travel and training has been programmed.
- A 50 percent reduction in community agency funding has been programmed.

The 2010 Proposed Budget is a working document intended to initiate discussion by the City Council and public over next year's spending plan. As the City Council and the public review and evaluate service delivery and long-range issues, alternative concepts and additional concerns may materialize that will warrant consideration. It is staff's desire that the final product which emerges from this process will be a spending plan for 2010 that is acceptable to the community at large and will allow KPU to continue to provide adequate and reliable electric, telecommunications and water services to its customers.

FINANCIAL OVERVIEW OF THE KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET

The 2010 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$55,881,440, an increase of \$5,169,565 from the amount appropriated with the adoption of the 2009 Budget. The key components of total appropriations requested for 2010 and a comparison with 2009 appropriations are as follows:

	2009	2010	Net Change Increase (Decrease)
Operating Expenditures	\$28,584,137	\$28,184,320	(\$399,817)
Capital Expenditures	14,081,977	20,760,940	6,678,963
Debt	3,084,819	3,091,617	6,798
Appropriated Reserves	4,960,942	3,844,563	(1,116,379)
Total	<u>\$50,711,875</u>	<u>\$55,881,440</u>	<u>\$5,169,565</u>
 Number of Employees	 <u>116.00</u>	 <u>109.50</u>	 <u>6.50</u>

The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2010, please refer to the "C" pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$31,822,300 have been programmed for 2010. The table below identifies the major revenue sources by operating utility and compares 2010 revenue projections with the projections that were developed for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Electric	\$16,009,000	\$16,076,000	\$67,000
Telecommunications	12,434,100	12,719,000	284,900
Water	2,311,600	2,547,300	235,700
Other	685,000	480,000	(205,000)
Total	<u>\$31,439,700</u>	<u>\$31,822,300</u>	<u>\$382,600</u>

Electric Revenues: The projection for 2010 electric utility revenues is based on a two-year average of energy sales and the current average electric revenues per kWh, adjusted for any proposed rate increase. There are three variables that can significantly affect the revenue projections. The first is weather. Cold temperatures and high winds increase the demand for electric energy. Another variable is the general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect. A third variable is the price of heating oil, which has caused some residents to switch from heating their homes with fuel to electricity. The table below summarizes the major operating revenues of the Electric Division and compares 2010 revenue projections with the estimates that were developed for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Residential	\$6,563,000	\$6,800,000	\$237,000
Harbor	294,000	279,000	(15,000)
Business	6,282,000	6,214,000	(68,000)
Industrial	1,628,000	1,556,000	(72,000)
Yard Lights	50,000	50,000	
Demand	436,000	421,000	(15,000)
Street Lights	123,000	123,000	
Other	633,000	633,000	
Total	<u>\$16,009,000</u>	<u>\$16,076,000</u>	<u>\$67,000</u>

Residential electric revenues are projected to increase as more consumers continue to switch from fossil fuel heating systems to electric heating systems. Commercial demand is expected to decline slightly in response to the anticipated downturn in the local economy.

Telecommunications Revenues: The Telecommunications Division derives its revenues from three primary sources: regulated local phone services; regulated network access services; and non-regulated services such as DSL, IPTV, payphones, and sales of PBX systems. The table that follows summarizes the major operating revenues of the division and compares 2010 revenue projections with the estimates that were developed for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Local Network Services	\$2,583,200	\$2,309,000	(\$274,200)
Network Access Services	7,373,900	7,394,000	20,100
IP Network - DSL and IPTV	1,982,600	2,457,000	474,400
Directory Revenue	278,700	347,000	68,300
Payphones	72,900	54,000	(18,900)
Miscellaneous	142,800	158,000	15,200
Total	<u>\$12,434,100</u>	<u>\$12,719,000</u>	<u>\$284,900</u>

Revenues from local network services have been projected to decline as a result of continuing competition from GCI for local customers. Interstate access charges have been projected to remain comparable to 2009. Revenues from network access services are based on the Division's revenue requirements and are derived from cost of service studies prepared by the Division's outside consultants. IP Network - DSL and IPTV revenues are projected to increase as the Division expands its digital television offerings. The reorganization of the marketing and customer service functions into a separate division located at the Plaza Mall is expected to be instrumental in boosting sales. Directory revenues appear to be up, but they are actually trending down. The expected loss of market share to GCI did not occur as rapidly as projected for 2009.

Water Revenues: The operating revenues of the Water Division have been projected to increase as a result of the proposed 15 percent rate increase. The proposed effective date for the increase in rates is March 1, 2010. The rate increase is expected to generate \$281,000 of additional revenues. The table below summarizes the major operating revenues of the division and compares 2010 revenue projections with the estimates that were developed for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Residential	\$1,026,700	\$1,104,000	\$77,300
Apartment	198,500	213,000	14,500
Business	768,600	847,000	78,400
Industrial	91,900	87,000	(4,900)
Cannery	66,700	150,000	83,300
Port	140,000	123,000	(17,000)
Miscellaneous	19,200	23,300	4,100
Total	<u>\$2,311,600</u>	<u>\$2,547,300</u>	<u>\$235,700</u>

The 2009 projections were predicated on the City Council approving a 15 percent rate increase effective March 2009. Instead, the City Council approved an 11.4 percent rate increase. If the 15 percent water rate increase proposed by staff is not acceptable, the City Council will need to reduce recommended appropriations by an additional \$281,000.

For more information about KPU operating revenues, please see the "E" pages.

EXPENDITURES

Operating appropriations, including debt service, in the amount of \$31,275,937 have been programmed for 2010, a decrease of \$393,019 over the amount originally appropriated with the adoption of the 2009 Budget. The table below identifies the major operating expenses by category and utility, and compares the 2010 request for appropriations with the request for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Mayor and Council	\$204,400	\$174,800	(\$29,600)
Law	152,000	149,000	(3,000)
City Clerk	110,000	113,000	3,000
Human Resources	158,000	156,000	(2,000)
Finance	731,000	754,000	23,000
Information Technology	680,000	575,000	(105,000)
Administration	390,943	297,037	(93,906)
Engineering	905,832	584,423	(321,409)
Sales, Mrkting & Customer Service	1,188,122	2,032,811	844,689
Electric	11,933,712	11,662,810	(270,902)
Telecommunications	9,388,557	8,804,382	(584,175)
Water	1,556,671	1,596,277	39,606
Insurance	509,900	556,780	46,880
Payment in Lieu of Taxes	675,000	728,000	53,000
Total	<u>\$28,584,137</u>	<u>\$28,184,320</u>	<u>(\$399,817)</u>

The primary reason for the decrease in operating appropriations is the proposed reduction of KPU's work force. As discussed below, a net 6.5 FTE positions have been proposed for abolition. Finance is projected to increase by \$23,000 due to the cost of maintenance for the new accounting system. The Sales, Marketing and Customer Service Division has increased by 71%. This is a result of the reorganization of marketing and customer service functions in 2009. Much of the increase was previously programmed under the Administration and Telecommunications Divisions. The increase in the Water Division is being driven by the proposed addition of journeyman waterman. Insurance has increased as a result of the property insurance appraisal that was completed in 2009. The payment in lieu of taxes is a payment to the City's general fund. The payment in lieu of taxes is based on 80 percent of the value of plant in service located within the boundaries of the City of Ketchikan and is predicated on an increase in the mill rate from 6.1 to 6.4.

The amount of capital appropriations requested for 2010 is \$20.8 million. The table below identifies the major capital expenses by utility, and compares the 2010 request for appropriations with the request for 2009.

	<u>2009</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Administration	\$445,054	\$432,500	(\$12,554)
Engineering	120,000		(120,000)
Customer Service	25,000	55,000	30,000
Electric	8,513,123	10,007,020	1,493,897
Telecommunications	3,582,000	2,500,000	(1,082,000)
Water	1,396,800	7,766,420	6,369,620
Total	<u>\$14,081,977</u>	<u>\$20,760,940</u>	<u>\$6,678,963</u>

Funding for the proposed capital budget is as follows:

	<u>Amount</u>	<u>Percentage</u>
Grants	\$12,192,819	58.7%
Bonds	2,057,146	9.9%
Contributions - U.S. Coast Guard	475,000	2.3%
Revenues from operations	646,362	3.1%
Reserves	5,389,613	26.0%
	<u>\$20,760,940</u>	<u>100.0%</u>

Of the \$12.19 million in grant funding considered or applied for by KPU, \$3.15 million has been awarded. The contribution from the U.S. Coast Guard is for the Shoal Cove Distribution Line project. Please see the proposed KPU 2010 - 2014 Capital Improvement Program for information about the projects planned for 2010.

PERSONNEL

The proposed 2010 KPU Budget (page C-3) requests funding for 106.5 full-time equivalent (FTE) employees, net of Swan Lake personnel (3.0 FTE). This represents a decrease of 6.5 FTE from 2009. The changes to personnel are summarized in the table that follows.

<u>Division</u>	<u>Position</u>	<u>FTE</u>
Engineering	Engineering Tech-KPU/CADD & GIS	(1.00)
Engineering	GIS Analyst	(1.00)
Sales, Marketing & Customer Service	Customer Sales Rep I	(0.50)
Electric	Journeyman Lineman (Apprentice)	(1.00)
Electric	Secretary 1	(1.00)
Telecommunications	Outside Plant Manager	(1.00)
Telecommunications	Journeyman Apprentice	(1.00)
Telecommunications	Warehouse Worker/General Laborer	(1.00)
Water	Journeyman Waterman	1.00
	TOTAL	<u>(6.50)</u>

As part of the effort to present a balanced budget appropriate for the economic uncertainty that the community may be facing in 2010, 7.5 positions have been proposed for abolition. Three of the positions are currently vacant. The journeyman waterman position is a new position and will be needed when the water treatment plant comes on line in 2010.

The cost of personnel services includes salaries and wages for regular and temporary employees, overtime, and employee benefits. Employee benefits include health insurance, retirement, workers compensation, social security, unemployment and accrued leave. The table below identifies the major components of personnel services and compares the 2010 request for appropriations with the request for 2009.

	<u>2009</u>	<u>2010</u>	Net Change Increase (Decrease)
Salaries and Wages - Regular Employees	\$7,755,955	\$7,511,553	(\$244,402)
Salaries and Wages - Temporary Employees	165,500	138,500	(27,000)
Overtime	319,500	385,000	65,500
Employee Benefits	4,514,800	4,252,100	(262,700)
Total	<u>\$12,755,755</u>	<u>\$12,287,153</u>	<u>(\$468,602)</u>

The cost of personnel has been programmed to decrease in 2010 because of the proposed reduction in the work force. Step increases for all eligible employees have been programmed in the proposed 2010 KPU Budget. The collective bargaining agreement between KPU and IBEW Local No. 1547 expires on December 31, 2009. No provision for the renewal of this agreement has been incorporated into the proposed spending plan for 2010. There are 92 (including Swan Lake) employees covered under this agreement.

DEBT MANAGEMENT

KPU will have five municipal utility revenue bond issues outstanding totaling \$17,131,000 on January 1, 2010. These issues are: Series T - \$8,775,000; Series U - \$2,570,000; Series V - \$2,930,000; Series W: CREBS - \$1,040,000, and Series W: ADEC - \$1,816,000. Series T, U, V and W will mature in 2017, 2012, 2014, and 2022 respectively.

In 2004, the voters of the City authorized the issuance of \$15 million in municipal utility revenue bonds to finance capital improvements for the electric and water utility systems. Under this authority granted by the voters, KPU has borrowed \$3 million through low interest loan programs. Approximately \$4 million has been designated for the water treatment facility currently under construction. Another \$2.1 million will be issued in 2010 for the Tongass Avenue and Jackson Street/4th & 7th Avenue water main replacement projects. Approximately \$5.9 million from the original \$15 million is still available and KPU anticipates using the balance to finance electric utility projects.

KPU is currently required by its bond covenants to maintain debt service coverage of net revenues equal to 1.25 times annual debt service. Resolution No. 90-1645 requires that KPU maintain a debt service coverage ratio of net revenues equal to no less than 1.5 times annual debt service and no more than 2.0 times annual debt service. The proposed spending plan is **not** in compliance with the debt service coverage requirements of the City Council. It is, however, in compliance with KPU's bond covenants. The projected debt service coverage is 1.46 times annual debt service coverage.

The total annual debt service included in the 2010 Budget is \$3,091,617. The total debt service

required to maturity, including principal and interest is estimated at \$19,732,591. Please see page D-3 for more information about KPU's total annual debt service.

COMPLIANCE WITH CITY COUNCIL MANDATED FINANCIAL OBJECTIVES

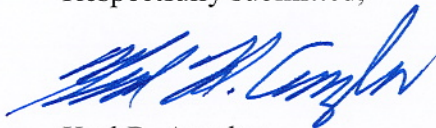
Resolution No. 90-1645, adopted by the City Council in 1990, established certain financial objectives for KPU. KPU is required to establish a reserve requirement of no less than 12% of operating expenses. The schedule on page C-4 documents compliance with this requirement and shows that proposed spending plan is in compliance. As noted above, KPU is required to maintain a debt service coverage ratio of annual net revenues between 1.5 and 2.0 times annual debt service. The schedule on page D-2 documents that the proposed spending plan is **not** in compliance with this requirement. It is the opinion of staff that the proposed spending plans for 2010 complies with the financial objectives mandated by the City Council with the adoption of Resolution No. 90-1645, except for the debt service coverage requirement. It should be noted that these calculations are made under the assumption that all revenues will materialize as projected and all appropriations will be spent as appropriated. In practice, this seldom occurs. An increase in revenues or a decrease in appropriations of \$114,000 would be required to bring the spending plan into minimum compliance with the debt service coverage requirements.

CONCLUSION

The 2010 Budget is a fiscally responsible budget that allows for the continuation of basic utility services. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2010. Over the next few weeks, the Finance Director and I look forward to working with the City Council to develop a spending plan that moves the community quickly to the forefront and permits KPU to continue to play an important role in shaping the future of the local economy.

We would both like to take this opportunity to express our appreciation to the division managers and their respective staffs for their assistance during the preparation of the KPU 2010 Annual Budget. Special thanks go to Senior Administrative Assistants Camille Nelson and Diane Walker, Senior Electric and Water Accountant Stan Aegerter, Senior Telecommunications Accountant Amanda Berube, Staff Accountant Anita Beaudoin, Accounting Manager Michelle Johansen and Office Services Technician Gretchen Blanchard. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

Respectfully submitted,



Karl R. Amylon
KPU General Manager



Robert E. Newell, Jr., CPA
Finance Director

(Note: This transmittal letter does not reflect any subsequent action taken by the City Council during its budget deliberations to modify the spending plan proposed for 2010.)

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ESTIMATE OF FUNDS AVAILABLE

	2009 Adopted Budget	2009 Amended Budget	2009 Estimate	2010 Budget
Funds Available, January 1	12,805,552	12,805,552	14,161,046	9,134,176
Revenues				
Electric	21,864,723	23,009,545	17,556,286	23,773,856
Telecommunications	12,434,100	12,434,100	13,552,000	12,728,633
Water	2,922,500	2,922,500	3,280,400	9,295,050
Other	685,000	685,000	585,000	480,000
Total Revenues	37,906,323	39,051,145	34,973,686	46,277,539
Appropriations				
Mayor and Council	204,400	217,600	217,000	187,300
Law	152,000	160,200	160,200	149,000
City Clerk	110,000	110,000	103,000	113,000
Human Resources	158,000	158,000	155,000	156,000
Finance - General Accounting	540,000	540,000	532,200	561,000
Finance - Office Services	191,000	191,000	187,400	193,000
Information Technology	680,000	680,000	611,800	575,000
Administration	835,997	779,997	332,201	729,537
Engineering	1,025,832	1,028,832	998,050	584,423
Sales, Marketing & Cust. Svc.	1,213,122	2,066,202	2,006,202	2,059,811
Electric	20,446,835	22,726,171	15,509,897	21,225,269
Telecommunications	12,970,557	12,415,332	12,228,229	11,275,546
Water	2,953,471	2,953,471	2,689,658	8,509,027
Other	4,269,719	4,269,719	4,269,719	4,376,397
Total Appropriations	45,750,933	48,296,524	40,000,556	50,694,310
Funds Available, December 31	4,960,942	3,560,173	9,134,176	4,717,405

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

SUMMARY OF EXPENDITURES - ALL DIVISIONS

	Operating	Capital	Debt	Total
Mayor and Council	187,300			187,300
Law	149,000			149,000
City Clerk	113,000			113,000
Human Resources	156,000			156,000
Finance - General Accounting	561,000			561,000
Finance - Office Services	193,000			193,000
Information Technology	575,000			575,000
Administration	297,037	432,500		729,537
Engineering	584,423			584,423
Sales, Marketing & Cust. Svc.	2,021,811	38,000		2,059,811
Electric	11,611,693	9,613,576		21,225,269
Telecommunications	8,775,546	2,500,000		11,275,546
Water	1,596,277	6,912,750		8,509,027
Other	1,284,780		3,091,617	4,376,397
Total Expenditures	28,105,867	19,496,826	3,091,617	50,694,310
Percentage	55.44%	38.46%	6.10%	100.00%

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

NUMBER OF EMPLOYEES

	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Adopted</u>	<u>Amended</u>	<u>Estimate</u>	<u>2010</u> <u>Budget</u>
ADMINISTRATION	1.50	1.50	1.50	1.50	1.50	1.50
ENGINEERING	7.50	7.50	7.50	7.50	7.50	4.50
SALES, MARKETING & CUSTOMER SERVICE	12.50	12.50	12.50	16.50	16.50	16.00
ELECTRIC DIVISION						
Administrative	5.00	5.00	5.00	5.00	5.00	6.00
Generation	7.50	7.50	7.50	7.50	7.50	7.00
Transmission/Distribution	19.50	19.50	19.50	19.50	19.50	18.59
Maintenance	7.00	7.00	7.00	7.00	7.00	6.50
Swan Lake	3.00	3.00	3.00	3.00	3.00	3.00
	42.00	42.00	42.00	42.00	42.00	41.09
Less personnel allocated to Swan Lake	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
Net	39.00	39.00	39.00	39.00	39.00	38.09
TELECOMMUNICATIONS DIVISION						
Administrative	6.00	6.00	6.00	6.00	6.00	6.00
Marketing and Sales	3.00	4.00	4.00			
Engineering Operations	3.00	3.00	4.00	4.00	4.00	4.00
Plant Specific Operations	26.00	26.00	23.00	23.00	23.00	22.09
Plant Non-Specific Operations	5.00	6.00	6.00	6.00	6.00	4.18
Non-Regulated Operations	2.00	2.00	2.00	2.00	2.00	2.00
	45.00	47.00	45.00	41.00	41.00	38.27
WATER DIVISION						
Operations/Maintenance	7.50	7.50	7.50	7.50	7.50	8.50
TOTAL KPU EMPLOYEES	116.00	118.00	116.00	116.00	116.00	109.86
Less personnel allocated to Swan Lake	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
NET KPU EMPLOYEES	113.00	115.00	113.00	113.00	113.00	106.86

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

RESERVE REQUIREMENTS

Operating Expenses

Mayor and Council	187,300
Law	149,000
City Clerk	113,000
Human Resources	156,000
Finance - General Accounting	561,000
Finance - Office Services	193,000
Information Technology	575,000
Administration	297,037
Engineering	584,423
Sales, Marketing & Cust. Svc.	2,021,811
Electric	11,611,693
Telecommunications	8,775,546
Water	1,596,277
Insurance	556,780
Payment In Lieu of Taxes	728,000

Total Operating Expenses 28,105,867

Reserve Requirement (12% of operating expenses) * 3,372,704

Estimated Reserves, December 31, 2010 4,717,405
(16.8 % of operating expenses)

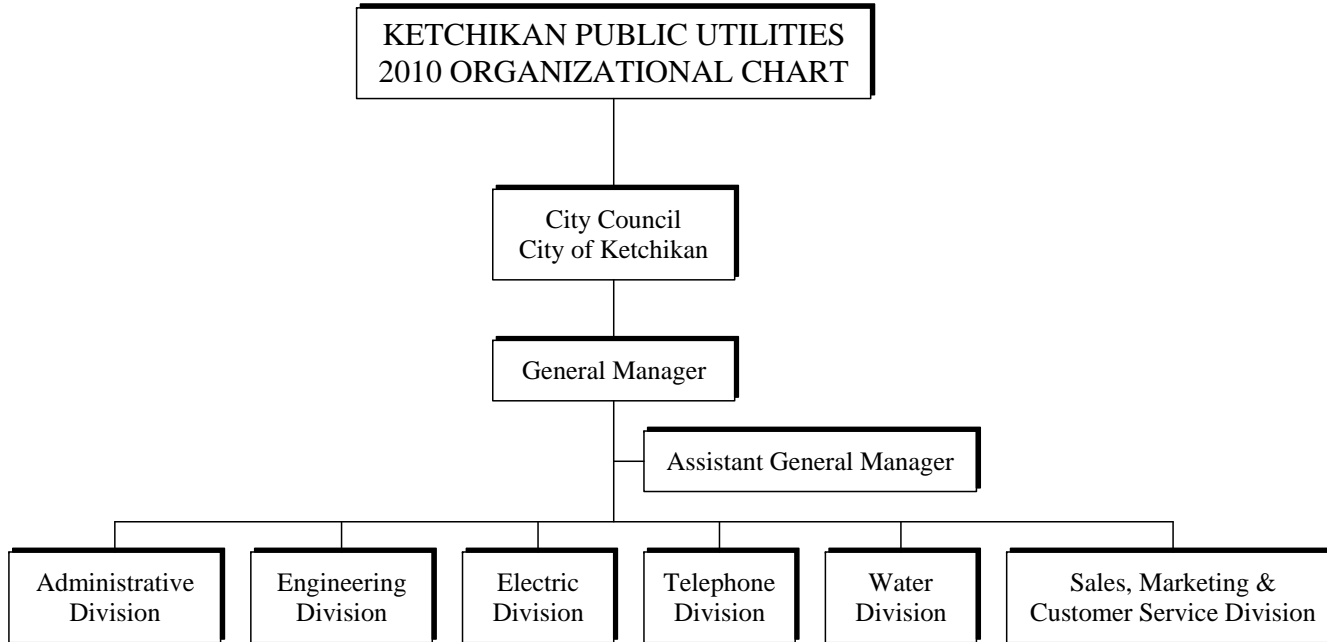
Excess (Deficiency) 1,344,700

* Policy established by Resolution No. 90-1645.

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET SOURCE OF FUNDING					
	Total	Utility Revenue Fund			Other
		Electric	Telephone	Water	Funds (1)
					Capital
Revenues					
Electric					
Operating	16,400,300	16,400,300			
Grants	7,142,000				7,142,000
Bonds					
Contributions	231,556				231,556
Telecommunications					
Operating	12,728,633		12,728,633		
Water					
Operating	2,547,300			2,547,300	
Grants	4,463,750				4,463,750
Bonds	2,184,000				2,184,000
Non-Operating	100,000			100,000	
Other					
Other	480,000	230,400	230,400	19,200	
Total Revenues	<u>46,277,539</u>	<u>16,630,700</u>	<u>12,959,033</u>	<u>2,666,500</u>	<u>14,021,306</u>
Operating Expenses and Taxes					
Mayor and Council	187,300	93,650	74,920	18,730	
Law	149,000	77,480	55,130	16,390	
City Clerk	113,000	56,500	45,200	11,300	
Human Resources	156,000	70,200	70,200	15,600	
Finance - General Accounting	561,000	280,500	252,450	28,050	
Finance - Office Services	193,000	96,500	77,200	19,300	
Information Technology	575,000	69,000	494,500	11,500	
Administration	297,037	148,519	118,815	29,704	
Engineering	584,423	233,769	58,442	292,212	
Sales, Marketing & Cust. Svc	2,021,811	525,671	1,415,268	80,872	
Electric	11,611,693	11,611,693			
Telecommunications	8,775,546		8,775,546		
Water	1,596,277			1,596,277	
Insurance	556,780	389,746	116,924	50,110	
PILOT	728,000	356,720	189,280	182,000	
Total Expenditures	<u>28,105,867</u>	<u>14,009,948</u>	<u>11,743,875</u>	<u>2,352,045</u>	
Surplus (Deficit) Before Capital Expenditures and Debt Service	18,171,672	2,620,752	1,215,158	314,455	14,021,306
Debt Service					
Debt Service	<u>3,091,617</u>	<u>1,998,641</u>	<u>11,144</u>	<u>1,081,832</u>	
Surplus (Deficit) Before Capital Expenditures	15,080,055	622,111	1,204,014	(767,377)	14,021,306
Capital Expenditures					
Administration	432,500	216,250	173,000	43,250	
Engineering					
Customer Service	38,000	9,880	26,600	1,520	
Electric	9,613,576	2,240,020			7,373,556
Telecommunications	2,500,000		2,500,000		
Water	6,912,750			265,000	6,647,750
Total Capital Expenditures	<u>19,496,826</u>	<u>2,466,150</u>	<u>2,699,600</u>	<u>309,770</u>	<u>14,021,306</u>
Surplus (Deficit) After Capital Expenditures (2)	<u>(4,416,771)</u>	<u>(1,844,039)</u>	<u>(1,495,586)</u>	<u>(1,077,147)</u>	

(1) Other funds includes bonds, grants and local contributions. Revenues will always equal expenditures.

(2) Amount funded from reserves.



KETCHIKAN PUBLIC UTILITIES
2010 Annual Budget
Revenue Bond Debt Service by Utility

Issue	Principal Due	Interest Due	Total Due	Electric Percent	Electric Amount	Telecom Percent	Telecom Amount	Water Percent	Water Amount	Total Percent	Total Amount
Series T	940,000	352,568	1,292,568	100.00%	1,292,568					100.00%	1,292,568
Series U	820,000	118,509	938,509	34.38%	322,659			65.62%	615,850	100.00%	938,509
Series V	540,000	127,300	667,300	44.30%	295,614	1.67%	11,144	54.03%	360,542	100.00%	667,300
Series W - CREBS	80,000	7,800	87,800	100.00%	87,800					100.00%	87,800
ADEC Drinking Water	93,000	12,440	105,440					100.00%	105,440	100.00%	105,440
TOTAL	<u>2,473,000</u>	<u>618,617</u>	<u>3,091,617</u>		<u>1,998,641</u>		<u>11,144</u>		<u>1,081,832</u>		<u>3,091,617</u>

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

DEBT SERVICE COVERAGE

Operating Revenues

Electric	16,400,300
Telephone	12,728,633
Water	2,547,300
Other	480,000

Total Operating Revenues 32,156,233

Operating Expenses

Mayor and Council	187,300
Law	149,000
City Clerk	113,000
Human Resources	156,000
Finance - General Accounting	561,000
Finance - Office Services	193,000
Information Technology	575,000
Administration	297,037
Engineering	584,423
Sales, Marketing & Cust. Svc.	2,021,811
Electric	11,611,693
Telecommunications	8,775,546
Water	1,596,277
Insurance	556,780

Total Operating Expenses (excluding payment in lieu of taxes) 27,377,867

Net Revenue Available for Debt Service 4,778,366

Annual Debt Service - Senior Lien Debt Only 2,986,177

Debt Service Coverage Ratio 1.60

Minimum Required Coverage 1.50

(Bond covenants - 1.25; Council - 1.5 to 2.0)*

* Council policy established by Resolution No. 90-1645.

KETCHIKAN PUBLIC UTILITIES

2010 Annual Budget

Annual Debt Service

Year	Series T	Series U	Series V	Series W - CREBS	ADEC Drinking Water Loan	Total
2010	1,292,568	938,509	667,300	87,800	105,440	3,091,617
2011	1,291,662	936,609	665,700	87,200	105,440	3,086,611
2012	1,297,980	937,065	668,300	86,600	105,440	3,095,385
2013	1,296,380		668,438	86,000	105,440	2,156,258
2014	1,287,680		666,750	85,400	105,440	2,145,270
2015	1,300,930			84,800	105,440	1,491,170
2016	1,307,080			84,200	105,440	1,496,720
2017	1,306,240			83,600	105,440	1,495,280
2018				83,000	105,440	188,440
2019				82,400	105,440	187,840
2020				81,800	105,440	187,240
2021				81,200	105,440	186,640
2022				80,600	105,440	186,040
2023					105,440	105,440
2024					105,440	105,440
2025					105,440	105,440
2026					105,440	105,440
2027					105,440	105,440
2028					105,440	105,440
2029					105,440	105,440
	<u>10,380,520</u>	<u>2,812,183</u>	<u>3,336,488</u>	<u>1,094,600</u>	<u>2,108,800</u>	<u>19,732,591</u>

**Ketchikan Public Utilities
2010 Annual Budget
Revenue Summary**

**Fund: KPU Enterprise Fund
Division: Electric**

	<u>2007 Actual</u>	<u>2008 Actual</u>	<u>2009</u>			<u>2010 Budget</u>
			<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Estimate</u>	
Operating Revenue						
Residential	6,184,106	6,691,810	6,563,000	6,563,000	6,800,000	6,942,800
Harbor	290,847	289,017	294,000	294,000	279,300	284,900
Business	6,126,579	6,327,156	6,282,000	6,282,000	6,213,800	6,344,500
Industrial	1,614,368	1,615,798	1,628,000	1,628,000	1,555,600	1,588,700
Yard Lights	45,733	50,145	50,000	50,000	50,200	51,000
Large Comm'l Demand	246,735	255,368	256,000	256,000	253,800	259,300
City Street Lights	122,122	123,012	123,000	123,000	123,000	125,600
Industrial Demand	164,822	171,471	180,000	180,000	167,400	170,500
Diesel Fuel Surcharge		2,205,971		1,144,822	1,144,822	
Total Operating Revenue	14,795,312	17,729,748	15,376,000	16,520,822	16,587,922	15,767,300
Other Operating Revenue						
Service Charges	129,836	128,235	120,000	120,000	143,000	130,000
Penalty	92,903	98,531	100,000	100,000	98,000	100,000
Pole Rentals - External	62,664	56,621	70,850	70,850	56,770	61,000
Pole Rentals - Interdepartmental	143,150	143,150	143,150	143,150	143,150	143,000
Other Revenue	(6,259)	(60,568)	4,000	4,000	4,000	4,000
Surveillance and Trouble Call Services	30,000	30,000	30,000	30,000	30,000	30,000
Reimbursable Projects	112,931	100,169	158,000	158,000	158,000	158,000
Other Revenue	6,247	1,559	7,000	7,000	7,000	7,000
Total Other Operating Revenue	571,472	497,697	633,000	633,000	639,920	633,000
Total Operating Revenue	15,366,784	18,227,445	16,009,000	17,153,822	17,227,842	16,400,300
Nonoperating Revenue						
Bond Proceeds			5,295,723	5,295,723		
Contributions			560,000	560,000	328,444	231,556
Grants	151,903	2,187,888				7,142,000
Total Nonoperating Revenue	151,903	2,187,888	5,855,723	5,855,723	328,444	7,373,556
Total Electric Revenue	15,518,687	20,415,333	21,864,723	23,009,545	17,556,286	23,773,856

**Ketchikan Public Utilities
2010 Annual Budget
Revenue Summary**

**Fund:
Division:**

**KPU Enterprise Fund
Telecommunications**

	2007 Actual	2008 Actual	2009		2010 Budget
			Adopted Budget	Amended Budget	
Local Network Services					
Business & Residential	1,526,873	1,288,334	1,239,500	1,239,500	1,177,000
Local Special Circuits	776,677	891,543	870,400	870,400	849,000
Other Local Revenue	572,736	481,983	473,300	473,300	428,000
Total Local Revenue	2,876,286	2,661,860	2,583,200	2,583,200	2,454,000
Network Access Services					
Interstate Flat Rate End User	960,534	865,902	833,100	833,100	814,000
Interstate Access Charges	4,300,289	4,092,711	4,146,700	4,146,700	4,375,000
Interstate Special Access Charges	958,559	963,976	921,400	921,400	1,348,000
Intrastate Access Charges	1,532,285	1,535,750	1,472,700	1,472,700	1,589,000
Total Network Access Services Revenue	7,751,667	7,458,339	7,373,900	7,373,900	8,126,000
Miscellaneous					
Directory Revenue	453,501	419,978	278,700	278,700	385,000
Miscellaneous Revenue	41,422	40,407	45,900	45,900	83,000
LD Carrier Billing & Collection	33,134	25,636	6,700	6,700	5,000
Total Miscellaneous Revenue	528,057	486,021	331,300	331,300	473,000
Nonregulated & Other Revenue					
Customer Premise Eq Sales/Service	140,379	79,824	66,900	66,900	58,000
Payphone Revenue	94,934	37,293	72,900	72,900	62,000
Paging Revenue					
IP Network	2,010,775	2,218,422	1,982,600	1,982,600	2,354,000
Miscellaneous	25,375	25,564	23,300	23,300	25,000
Total Nonregulated & Other Revenue	2,271,463	2,361,103	2,145,700	2,145,700	2,499,000
Total Operating Revenues	13,427,473	12,967,323	12,434,100	12,434,100	13,552,000
Total Telecommunications Revenue	13,427,473	12,967,323	12,434,100	12,434,100	13,552,000

**Ketchikan Public Utilities
2010 Annual Budget
Revenue Summary**

**Fund: KPU Enterprise Fund
Division: Water**

	2007 Actual	2008 Actual	2009			2010 Budget
			Adopted Budget	Amended Budget	Estimate	
Operating Revenue						
Residential	872,456	888,236	1,026,700	1,026,700	966,800	1,104,000
Apartment	166,001	174,022	198,500	198,500	187,500	213,000
Business	644,746	667,523	768,600	768,600	741,800	847,000
Industrial	77,977	79,714	91,900	91,900	78,000	87,000
Cannery	48,862	70,376	66,700	66,700	126,300	150,000
Port	116,522	148,781	140,000	140,000	136,000	123,000
Fire Hydrant	9,028	9,210	10,600	10,600	13,200	15,000
Total Operating Revenue	1,935,592	2,037,862	2,303,000	2,303,000	2,249,600	2,539,000
Other Operating Revenue						
Penalty	10,668	11,482	8,300	8,300	11,600	8,000
Other Revenue	1,088	15,323	300	300	5,200	300
Total Other Operating Rev	11,756	26,805	8,600	8,600	16,800	8,300
Total Operating Revenue	1,947,348	2,064,667	2,311,600	2,311,600	2,266,400	2,547,300
Water Nonoperating Revenue						
Bond Proceeds			330,900	330,900	98,900	2,184,000
Contributions	63,124					
Other Revenue					25,000	100,000
Grants	1,411,516	1,232,593	280,000	280,000	890,100	4,463,750
Total Nonoperating Water Revenue	1,474,640	1,232,593	610,900	610,900	1,014,000	6,747,750
Total Water Revenue	3,421,988	3,297,260	2,922,500	2,922,500	3,280,400	9,295,050

**Ketchikan Public Utilities
2010 Annual Budget
Revenue Summary**

Fund: KPU Enterprise Fund
Division: Other

	<u>2007 Actual</u>	<u>2008 Actual</u>	<u>2009</u>			<u>2010 Budget</u>
			<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Estimate</u>	
Operating Revenue						
Interest Income	1,121,373	786,589	605,000	605,000	505,000	400,000
Gen Gov Billing and Collections	60,000	60,000	80,000	80,000	80,000	80,000
Total Operating Revenue	1,181,373	846,589	685,000	685,000	585,000	480,000
Nonoperating Revenues						
State Revenue Sharing-PERS						
Total Other Revenue	1,181,373	846,589	685,000	685,000	585,000	480,000

**Ketchikan Public Utilities
2010 Annual Budget
Revenue Summary**

Fund: KPU Enterprise Fund
Division: All

	2007 Actual	2008 Actual	2009		2010 Budget	
			Adopted Budget	Amended Budget		Estimate
Operating Revenues						
Electric	15,366,784	18,227,445	16,009,000	17,153,822	17,227,842	16,400,300
Telecommunications	13,427,473	12,967,323	12,434,100	12,434,100	13,552,000	12,728,633
Water	1,947,348	2,064,667	2,311,600	2,311,600	2,266,400	2,547,300
Other	1,181,373	846,589	685,000	685,000	585,000	480,000
	31,922,978	34,106,024	31,439,700	32,584,522	33,631,242	32,156,233
Nonoperating Revenues						
Electric	151,903	2,187,888	5,855,723	5,855,723	328,444	7,373,556
Water	1,474,640	1,232,593	610,900	610,900	1,014,000	6,747,750
Other						
	1,626,543	3,420,481	6,466,623	6,466,623	1,342,444	14,121,306
Total Revenue - All Divisions	33,549,521	37,526,505	37,906,323	39,051,145	34,973,686	46,277,539

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 511 Mayor and Council

Function: 016 Administration

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
51	Community Agency	97,600	103,600	103,600	103,600	103,600	51,800
53	Contractual Services	75,075	99,000	100,800	114,000	113,400	135,500
Division Total		172,675	202,600	204,400	217,600	217,000	187,300

COMMUNITY AGENCY FUNDING DETAIL

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
Ketchikan Area Arts & Humanities Council		57,600	63,600	63,600	63,600	63,600	31,800
Historic Ketchikan		40,000	40,000	40,000	40,000	40,000	20,000
		97,600	103,600	103,600	103,600	103,600	51,800

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 512 City Law

Function: 016 Administration

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	129,700	113,300	152,000	160,200	160,200	149,000
Division Total		129,700	113,300	152,000	160,200	160,200	149,000

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 513 City Clerk

Function: 016 Administration

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	99,487	110,614	110,000	110,000	103,000	113,000
Division Total		99,487	110,614	110,000	110,000	103,000	113,000

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 518 Human Resources

Function: 016 Administration

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	166,536	149,857	158,000	158,000	155,000	156,000
Division Total		166,536	149,857	158,000	158,000	155,000	156,000

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 516 Finance

Function: 016 Administration
Division: 11 General Accounting

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	467,353	503,002	540,000	540,000	532,200	561,000
Division Total		467,353	503,002	540,000	540,000	532,200	561,000

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 516 Finance

Function: 016 Administration
Division: 17 Office Services

Description		2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	159,769	175,081	191,000	191,000	187,400	193,000
Division Total		159,769	175,081	191,000	191,000	187,400	193,000

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Administration 514

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	514 KPU Manager	306,238	264,589	390,943	334,943	316,871	297,037
	Total Operating	306,238	264,589	390,943	334,943	316,871	297,037
	Capital						
-	514 KPU Manager		27,945	445,054	445,054	15,330	432,500
		306,238	292,534	835,997	779,997	332,201	729,537

EXPENDITURE SUMMARY

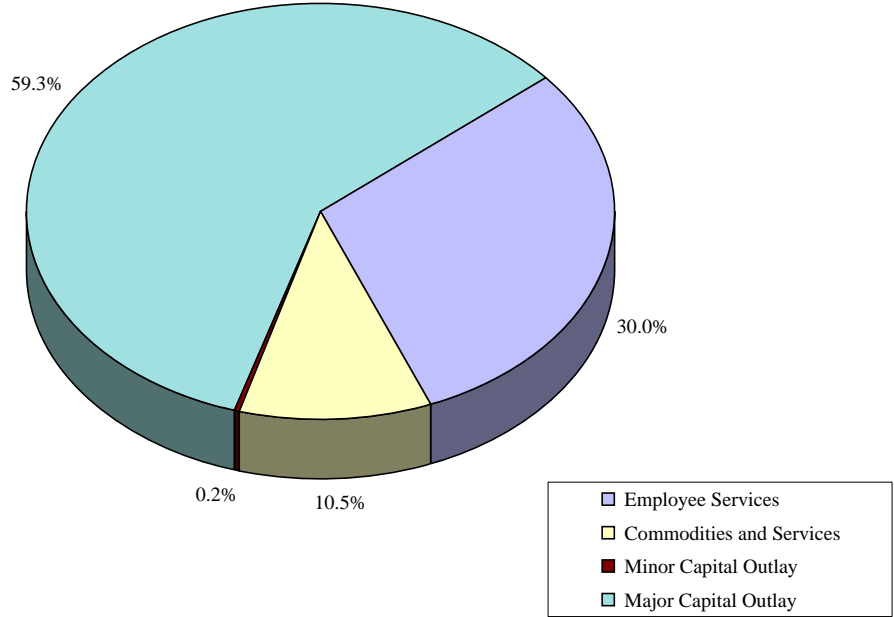
Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	195,682	201,290	214,728	215,478	213,450	218,892
Commodities and Services	109,525	60,487	176,015	118,814	102,770	76,645
Minor Capital Outlay	1,031	2,812	200	651	651	1,500
Total Operating	306,238	264,589	390,943	334,943	316,871	297,037
Capital						
Commodities and Services		27,945	445,054	445,054	15,330	432,500
Total Capital		27,945	445,054	445,054	15,330	432,500
	306,238	292,534	835,997	779,997	332,201	729,537

PERSONNEL SUMMARY

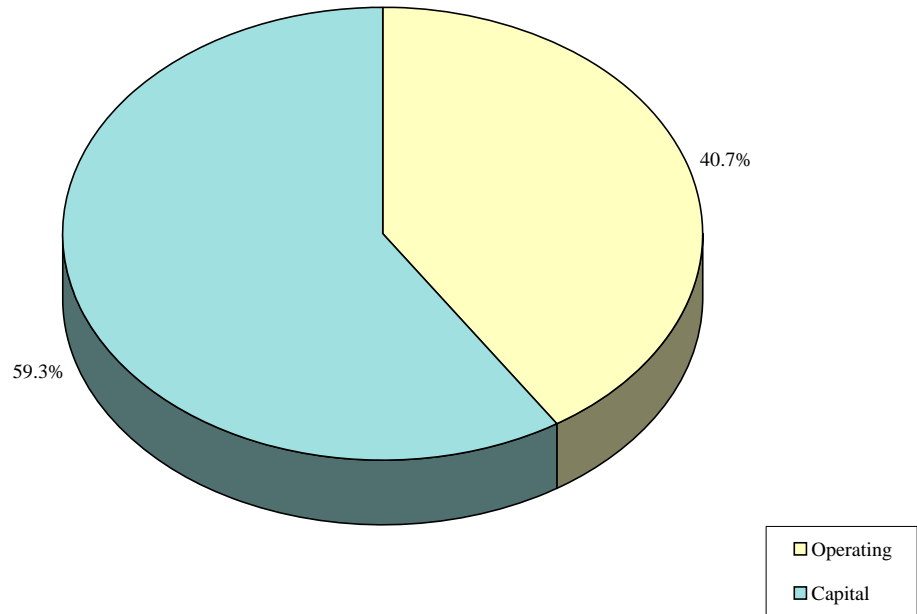
Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Administration	1.50	1.50	1.50	1.50	1.50	1.50
		1.50	1.50	1.50	1.50	1.50	1.50

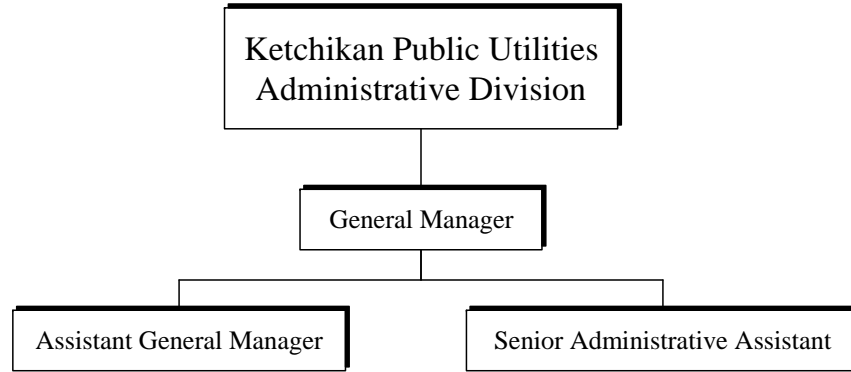
ADMINISTRATION

2010 EXPENDITURES



2010 DIVISION SUMMARY





**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

MISSION STATEMENT

The mission of Ketchikan Public Utilities is to provide quality municipal utility services as efficiently and effectively as possible within guidelines established by federal and state law; the Charter of the City of Ketchikan; the Ketchikan Municipal Code; and the ratepayers of the Utility as represented by the City Council. The General Manager's Office exercises line authority over all Utility divisions with combined operating and capital improvement budgets in support of daily service delivery and furtherance of long-range goals. The General Manager's Office ensures implementation, supervision and evaluation of all Utility activities, programs and facilities. This includes the normal range of programs and projects associated with all Utility divisions and special projects and/or tasks that do not fall within the scope of KPU's traditional departmental structure. The mission of the Administration Division is to ensure that these responsibilities and duties are carried out in a timely and efficient manner that reflects positively on Ketchikan Public Utilities.

ACCOMPLISHMENTS IN 2009

- Continued management and oversight responsibility of General Government. Consolidation of positions and/or functions that were previously autonomous continues to generate annual savings to the Utility and General Government.
- At the direction of the City Council, worked with staff to reestablish the Ketchikan Public Utilities Advisory Board.
- In conjunction with the Human Resources Division and Victor-Four Labor Relations, initiated negotiations for a new collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 1547, to replace the contract that expires December 31, 2009.
- Initiated the recruitment of a new Electric Division Manager to replace Ed Schofield, who resigned in March. Mike Kline of Grantham, New Hampshire was appointed to the position in May of 2009.
- Initiated the recruitment of a new Electric Division Operations Manager to replace Joe Marcotte, who resigned in September of 2008. The Acting Operations Manager, Mark Adams, was permanently appointed to the position in September of 2009.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- Initiated the recruitment of a new Telecommunications Division Engineering Manager to replace Steven Hunt, who resigned in June of 2009. John Wray of Allenspark, Colorado was appointed to the position in August of 2009.
- Initiated the recruitment of a new Telecommunications Division Engineer to fill the position that has remained vacant since its inception in 2007. John Bender of Dallas, Texas was appointed to the position in September of 2009.
- Initiated the recruitment of a new Telecommunications Division Senior Sales and Marketing Manager to fill the position that has remained vacant since its inception in 2008. Ed Cushing of Ellensburg, Washington was appointed to the position in March of 2009.
- Initiated the recruitment of two Telecommunications Division Marketing Managers to fill the positions that have remained vacant since their inception in 2009. Michelle Houtcooper of Tallahassee, Florida and Kim Simpson McCord of Ketchikan, Alaska were appointed to the positions in April of 2009.
- Worked with representatives of the Four Dam Pool Power Agency (FDPPA), in order to complete a second divestiture, which resulted in the new agency becoming the Southeast Alaska Power Agency (SEAPA). The second divestiture permitted Ketchikan, Petersburg and Wrangell to assume ownership of the Swan Lake and Lake Tyee hydroelectric projects, which should result in long-term significant savings in the context of the wholesale power rate.
- In conjunction with the Southeast Alaska Power Agency (SEAPA), continued efforts to complete the Swan Lake/Lake Tyee Intertie. It is anticipated that the Intertie will be energized in November. Extensive planning has been undertaken as SEAPA prepares to assume responsibility for the operations of the Swan Lake Hydroelectric Plant.
- The Engineering and Water Divisions successfully applied for and received a \$1,691,300 ADEC Municipal Matching Grant for the second phase of the Tongass Avenue Water and Sewer Main Replacement Project.
- The Engineering and Water Divisions successfully applied for and received a \$1,223,924 ADEC low-interest Alaska Clean Water Fund loan for the Baranof Reservoir Site Development Project, of which \$1,101,532 in principal will be forgiven under the American Recovery and Reinvestment Act of 2009.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- The Electric and Engineering Divisions successfully applied for and received a \$1,300,000 Alaska Energy Authority (AEA) grant for the Whitman Lake Hydroelectric Plant.
- The Engineering Division developed a scope of services for the migration of the Hansen Information Systems from Version 7 to Version 8. On February 5, 2009, the City Council awarded a professional services agreement to Eskel Porter Consulting, Inc. in the amount of \$175,000. The migration project was successfully closed out within budget by late summer.
- The Engineering and Water Divisions prepared project specifications for the second phase of the Tongass Avenue Water and Sewer Main Replacement Project. Staff anticipates a bid award in late fall.
- The Engineering and Water Divisions prepared project specifications for the Alaska Avenue Water and Sewer Main Replacement Project. Staff anticipates a bid award in early 2010.
- The Engineering and Water Divisions prepared project specifications for the Jackson Street Corridor Reconstruction Project. Staff anticipates a bid award in early 2010.
- The Engineering, Electric and Telecommunications Divisions finalized the scope of services for renewal of the pole replacement and line maintenance contract that KPU has with Chatham Electric, Inc. On March 5, 2009, the City Council renewed Contract No. 08-03 in the amount of \$400,000. Work is ongoing.
- The Engineering, Electric and Telecommunications Divisions finalized the scope of services and competitively bid a contract for annual tree trimming. On April 2, 2009, the City Council awarded Contract No. 09-16, Utility Tree Trimming, to Carlos Tree Service, Inc. of Anchorage, Alaska in the amount of \$291,744. Work is ongoing.
- Reorganized the KPU Customer Service Division, in order to transfer oversight from the Finance Department to the General Manager's Office. The newly reorganized division was renamed the Sales, Marketing and Customer Service Division. The Senior Sales and Marketing Manager now is responsible for the operations of the Sales, Marketing and Customer Service Division and reports directly to the General Manager.
- In conjunction with the Sales, Marketing and Customer Service Division, finalized a second contract for a customer service call back program. On August 6, 2009, the City Council awarded a contract to the Pivot Group, LLC of Wilsonville, Oregon in an

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ADMINISTRATION DIVISION

amount not to exceed \$13,800. The feedback received to date has been invaluable in improving customer service skills.

- In order to increase the visibility of KPU Telecommunications within the competitive market place, the Sales, Marketing and Customer Service Division was relocated to the Plaza in September of 2009. This central location will be much more convenient to KPU customers and will provide for direct scrutiny of the Utility's competitors.
- Worked with the Electric and Telecommunications Divisions and EDA, in order to complete the \$3.6 million Peninsula Point to Seley Mill/Gravina Island Electric and Telecommunications Lines Extension Project.
- The Electric Division and Hatch Energy continued to design and undertake improvements to the Ketchikan Lakes and Beaver Falls Hydroelectric Projects. The improvements are intended to maximize the generation output of both facilities:
 - ◇ Developed project specifications and competitively bid a contract for the procurement of new turbine runners for the Ketchikan Lakes Hydroelectric Plant. On April 5, 2007, the City Council awarded Contract No. 07-01, Ketchikan Units Nos. 3 and 5 Turbine Upgrade Project, to American Hydro Corporation for the purchase of new turbine runners at a cost of \$317,750. Fabrication and installation of the runners have been completed.
 - ◇ Developed project specifications and competitively bid a contract for the rehabilitation of Unit No. 3 at the Ketchikan Lakes Hydroelectric Plant. On December 18, 2008, the City Council authorized Contract No. 08-42, Ketchikan Lakes Unit No. 3 Rehabilitation Project, to NAES Power Contractors in the amount of \$303,955.04 for the rehabilitation of the hydraulic turbine and generator. Rehabilitation of the unit has been completed.
 - ◇ Worked with the Engineering Division and Hatch Energy, in order to prepare project specifications for upgrading excitation and breakers at the Beaver Falls Hydroelectric Project. Staff anticipates completing the work by either the end of the year or early in 2010.
- The Electric Division developed a scope of services and solicited proposals to prepare appropriate tagging and switching procedures to comply with OSHA regulations. On April 5, 2009, the City Council awarded Contract No. 09-18, KPU Switching and Clearance Guidelines, to Commonwealth Associates, Inc. of Mount Vernon, Washington at a cost not to exceed \$48,000. Staff anticipates completion of the work by the end of the year.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- The Engineering and Electric Divisions continued efforts to secure a license for the Whitman Lake Hydroelectric Project. On March 17, 2009, the Federal Energy Regulatory Commission (FERC) issued a fifty-year license to KPU for the project. The Utility is required to commence construction within two (2) years and must complete the project within five (5) years.
- The Engineering and Electric Divisions continued efforts to amend the FERC License for the Ketchikan Lakes Hydroelectric Project to provide for modified ramping rates. On May 11, 2009, FERC granted an amendment to the license as had been requested by the Electric Division.
- In anticipation of the Swan Lake/Lake Tyee Intertie coming on line by the end of the year, worked with the Electric Division to develop a scope of services and solicited proposals to undertake an analysis of potential fault (short-circuit) current levels within the existing KPU electric system. Such an analysis is required prior to interconnection to prevent significant system damage and to avoid an unacceptable safety risk. On August 20, 2009, the City Council awarded Contract No. 09-29, Engineering Services for KPU Power System Study, to Electric Power Systems, Inc. of Anchorage, Alaska in the amount of \$28,900.
- In anticipation of further load growth, worked with the Electric Division to develop a scope of services and solicited proposals to assess potential upgrades that may be required at the Bethe Substation. On August 20, 2009, the City Council awarded Contract No. 09-24, Engineering Services for Modifications to Bethe Substation, to Commonwealth Associates, Inc. in the amount of \$49,912. Staff anticipates completion of the work by early 2010.
- The Electric Division continued efforts on behalf of the Coast Guard regarding the proposed construction of an electric transmission line to the Shoal Cove Loran Station:
 - ◇ Developed a scope of services and solicited proposals for a conceptual layout of the transmission line and substation. On April 2, 2009, the City Council awarded Contract No. 08-56, Line Extension to USCG LORAN Station Shoal Cove, to Commonwealth Associates, Inc. of Mt. Vernon, Washington at a cost not to exceed \$55,650.
 - ◇ Developed a scope of services and solicited proposals for an environmental assessment of the transmission line and procurement of the necessary permits. On August 6, 2009, the City Council awarded Contract No. 09-21, NEPA

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ADMINISTRATION DIVISION

Environmental Assessment and Permitting Support, to Tetra Tech EC, Inc. of Bothell, Washington in an amount not to exceed \$245,761.

- The General Manager's Office continued to work with the Telecommunications Division to implement the business plan for the deployment of Internet Protocol Television Services. KPU CommVision was launched in February of 2006. The system includes two large satellite antennas, a video headend, Video on Demand servers, video transport equipment, intelligent residential and business gateways and set-top boxes. The Telecommunications Division negotiated and activated contracts with approximately 20 media content providers. The system is operating well with 122 standard definition channels, 57 high definition channels, 36 subscription movie channels, 45 music and radio channels and 16 local content channels. Video on Demand offers full-length movies available for twenty-four hour rentals.
- As of mid August 2009, KPU has moved 5,144 lines (66%) off of its legacy Nortel switch on to the Taqua T7000 softswitch. 2,614 or 34% of KPU total lines are still on the legacy Nortel switch at this time. The division anticipates that the remaining 2,614 lines will be moved by January 2010 and the Nortel switch will be retired.
- In December 2008, KPU deployed its first high definition television offering, which consisted of 34 channels. Currently, KPU offers 57 high definition channels.
- In June 2009, the Telecommunications Division launched the "U" Channel. Consisting of local content produced both by local residents and Telecommunications Division staff, the "U" Channel is intended to showcase activities, events and residents of the greater Ketchikan community.
- In addition to offering over 300 full-length movies through its "Video on Demand," in July 2009 the Telecommunications Division began offering 7 live event and movie "Pay Per View" channels.
- Continued efforts to test and deploy a Personal Video Recorder to CommVision Customers. Staff has worked extensively with Siemens Myrio, in order that this product, when made available, will operate in a reliable and consistent manner.
- The Telecommunications Division finalized design and bid specifications for the second year of a five-year Fiber to the Home Project. This undertaking provides for the placement of fiber optic cable to the home to provide for greater bandwidth to KPU customers. On March 5 and 19, 2009, the City Council awarded Contract Nos. 09-04 and 09-15 to Northern Powerline Constructors and Codale Electric Supply in the amounts of \$1,012,688 and \$293,586 respectively for the purchase of the materials and

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ADMINISTRATION DIVISION

for the placement of the fiber optic cable and splicing. Staff anticipates that both contracts will be completed by early fall.

- The Engineering and Telecommunications Divisions successfully closed Contract No. 08-06, City Hall/Police Station Standby Generator Replacement Project. The contractor completed the project without any significant unresolved issues.
- Continued to work with the Telecommunications Division to test a Voice Over Internet Protocol Long Distance Product service offering. A private line circuit has been provisioned from Seattle to Las Vegas, which is the hub of KPU's distributor. Introduction of this product and free interstate long distance minutes as part of KPU's Triple Play bundle has been delayed pending resolution of bandwidth concerns.
- The General Manager's Office continued to work with the Sales, Marketing and Customer Service and Telecommunications Divisions in their efforts to expand the Utility's dial-up, DSL Internet and Triple Play customer subscriber base. Innovative advertising efforts were initiated in the spring that emphasized the advantages of obtaining services from KPU as the local community telecommunications provider. Customer Service Representatives received extensive training in advanced marketing techniques.
- Continued to work with Falkenberg Capital Corporation to devise a successful strategy for the sale of the Telecommunications Division.
- Continued to assist the Water and Engineering Division Managers in working with CH2M Hill, in order to provide project management services for Contract No. 07-38, UV Disinfection and Chloramination Facility. When complete, the new facility will bring the KPU Water Division into compliance with EPA's Stage 2 Disinfectant and Disinfection Byproducts Rule (Stage 2 DBPR) and the Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR).
- Worked with the Water Division Manager to develop a scope of services for a public education/awareness program regarding the treatment of municipal water using UV/Chloramination disinfection. On May 7, 2009, the City Council awarded a professional services agreement to CH2M Hill in the amount of \$120,000 for the preparation of a public education program associated with conversion from sodium hypochlorite disinfection to chloramine disinfection.
- Continued to update and keep current the General Government and Ketchikan Public Utilities' website, providing more user-friendly access for residents and non-residents. The website was upgraded to provide for direct inquiries from residents regarding

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

requests for information, services and complaints. If the inquiry has not been responded to within seven days, it is automatically forwarded to the General Manager's Office for the appropriate follow up.

- Prepared the City of Ketchikan and Ketchikan Public Utilities 2008 Year-In-Review.

GOALS AND OBJECTIVES FOR 2010

- Provide timely information and recommendations to the City Council about projects, programs and ongoing operations, in order that both short-term and long-term policies may be established.
- Coordinate and improve citizen participation and public information efforts.
- Coordinate and improve employee outreach and recognition programs.
- Encourage team building among the staff, in order to improve overall Utility operations.
- Participate in inter-governmental discussions, in order to ensure that the City's interests are well represented. Participate in the Legislative Liaison, in order to advocate for City legislative and capital priorities.
- Negotiate a successor collective bargaining agreement between the International Brotherhood of Electrical Workers, Local 1547, and Ketchikan Public Utilities to replace the contract that is scheduled to expire December 31, 2009.
- Provide effective and efficient management oversight of the Electric Division's hydroelectric plant modernization program.
- Aggressively pursue financing, design and construction of the Whitman Lake Hydroelectric Project.
- Aggressively pursue financing, design and construction of the Metlaktla-Ketchikan Intertie.
- Continue to work with KPU's Southeast Alaska Power Agency (SEAPA) representatives to provide for effective operation and dispatch of the Swan Lake Hydroelectric Plant and the Swan Lake/Lake Tyee Intertie.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- Complete the post licensing studies required by FERC's Ketchikan Lakes Hydroelectric License issued to KPU in 2000.
- Continue to work with Alaska Ship and Drydock and the Alaska Industrial Development and Export Authority (AIDEA), in order to implement the long-term development plan for the Ketchikan Shipyard.
- Continue to work with the Electric Division and Coast Guard to provide for the construction of an electric transmission line to the Shoal Cove Loran Station.
- Assist the staff of the Telecommunications Division, in order to keep the Utility competitive in a continually changing technical and regulatory environment. This will include aggressive marketing of the division's Internet Protocol Television Services offering and effective management of the Interconnection Agreement between KPU and GCI Communications, Inc.
- Work with the Telecommunications Division Manager, in order to undertake the third year of the five-year Fiber to the Home Project.
- If determined appropriate by the City Council, work with Falkenberg Capital Corporation to aggressively pursue recommended strategies pertaining to the sale of Telecommunications Division.
- Work with the Engineering and the Water Divisions, in order to complete design plans and biddable specifications for the Jackson Street Corridor Reconstruction Project. Develop a funding proposal, including participation by the Department of Environmental Conservation and the Denali Commission, which is acceptable to City voters.
- In conjunction with the Water Division and the Department of Transportation and Public Facilities, provide effective construction oversight of the second phase of the Tongass Avenue Water and Sewer Main Replacement Project.
- In conjunction with the Water Division, provide effective construction oversight of the Alaska Avenue Water and Sewer Main Replacement Project.
- In conjunction with the Water Division, provide effective construction oversight of the Baranof Reservoir Site Development Project.
- In conjunction with the Water Division and CH2M Hill, provide effective construction oversight of Contract No. 07-38, UV Disinfection and Chloramination Facility.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- In conjunction with the Water Division and CH2M Hill, provide effective oversight of the public education program associated with conversion from sodium hypochlorite disinfection to chloramine disinfection.
- Work with the Water Division Manager and City Council to develop a plan and secure financing for the replacement of the Baranof Reservoir.
- Continue efforts to provide increased citizen access to day-to-day operations of KPU by means of the Utility website.
- Prepare the City of Ketchikan and Ketchikan Public Utilities 2009 Year-In-Review.

NARRATIVE

Salaries & Wages (Account 11): \$145,792 - This account provides for the annual wages of the employees of the Administration Division. The increase above the current year's appropriation is attributable to annual employee step increases.

Overtime (Account 12): \$2,000 - This account provides for the cost of overtime incurred as the result of the Senior Administrative Assistant working on special projects that cannot be completed during the normal work day. A \$1,500 increase above the current year's original appropriation has been proposed in anticipation of completing the 2009 Year-in-Review and the Administrative Assistant taking meeting minutes for the KPU Advisory Board.

Temporary Salaries (Account 14): \$3,000 - This account provides for the compensation of temporary help when the Senior Administrative Assistant is absent and for supplemental coverage during those periods when staff is working on community outreach projects that are time sensitive. No increase above the current year's appropriation has been proposed.

Employee Benefits (Account 16): \$68,100 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation and sick leave benefits of employees of the Administration Division.

Expense Allowance (Account 25): \$1,000 - This account provides for general expenses during the course of the year that are incurred by the General Manager and Administration Division staff. No increase above the current year's appropriation has been proposed.

Travel (Account 27): \$6,375 - This account provides for the cost associated with travel by the General Manager and Administration Division staff. Anticipated travel includes two

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

legislative liaison trips; a lobbying trip to Washington, DC; and the City Managers' Annual Conference. A \$1,125 decrease, or fifteen percent reduction, to the current year's appropriation has been proposed.

Motor Fuel & Lubricants (Account 38): \$250 - This account provides for the cost of fuel and lubricants required by the vehicle assigned to the General Manager. A \$250 decrease to the current year's appropriation has been proposed.

Office Supplies (Account 39): \$2,500 - This account provides for the cost of expendable office supplies used by the Administration Division. A \$1,000 increase above the current year's original appropriation has been proposed to offset expenditures associated with the KPU Advisory Board.

Education & Training (Account 41): \$7,500 - This account provides for the cost of staff training and education required for the proposed new financial and accounting information system. Included is a provision for on-site visits that may be required during the software selection process. A \$57,824 decrease to the current year's appropriation has been proposed.

Advertising and Publishing (Account 50): \$56,000 - This account provides for the cost of public notices, classified advertising and KPU promotional advertising and accessories. It also provides for the Utility's share of the cost of publishing quarterly community newsletters. No increase above the current year's original appropriation has been proposed.

Contractual Services (Account 53): \$5,000 - This account provides for the cost of services incurred by the Administration Division, which cannot otherwise be provided by division employees. This account provides for the cost of continued landscaping services for the Administration Building. No increase above the current year's appropriation has been proposed.

Maintenance Services (Account 58): \$2,000 - This account provides for the cost of annual maintenance and repairs of computers, fax machines and typewriters used by the Administration Division. It also funds KPU's share of the City and Utility's anticipated website maintenance. A \$1,000 increase above the current year's appropriation has been proposed due to the expiration of the service contracts for the third and fourth floor copiers at City Hall.

Postage (Account 59): \$500 - This account provides for the annual cost of mailings associated with the ordinary operations of the Administrative Division. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ADMINISTRATION DIVISION**

Telecommunication Services (Account 63): \$2,500 - This account provides for local and long-distance phone service to support the Administration Division, the City Council, and City Attorney when used for KPU business. No increase above the current year's appropriation has been proposed.

License & Fees (Account 68): \$20 - This account provides funds for the payment of vehicle license fees for the Administration Division as well as any miscellaneous fees incurred by the Utility. No increase above the current year's amended appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$500 - This account provides for the allocation for vehicle repair costs to the vehicle assigned to the General Manager. The Finance Department allocates the cost of running the Electric Division motor pool to all divisions of the Utility based upon payroll. No increase above the current year's appropriation has been proposed.

Capital Projects (Account 94): \$425,000 - This account provides for the cost of funding all direct costs, other than in-house labor, associated with approved capital projects. In 2010, it is proposed to replace the City's financial and accounting information systems. KPU will be assessed one-half of the cost. A \$45,270 increase to the current year's appropriation has been proposed. This increase is offset by the decrease in the Education & Training account.

PC Hardware & Software (Account 97): \$1,500 - This account provides for one-half the cost of a replacement of a personal computer. A \$1,500 increase to the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 514 KPU Manager

Function: 014 Administration

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimated	Budget
11 Salaries & Wages	134,809	140,368	144,428	144,428	144,100	145,792
12 Overtime		173	500	1,250	1,250	2,000
14 Temporary Salaries			3,000	3,000	1,500	3,000
16 Employee Benefits	60,873	60,749	66,800	66,800	66,600	68,100
25 Expense Allowance	688	442	1,000	1,000	1,000	1,000
27 Travel	3,298	2,008	7,500	7,500	5,000	6,375
38 Motor Fuel & Lubricants	84	677	500	500	250	250
39 Office Supplies	2,537	1,160	1,500	2,000	2,000	2,500
41 Education & Training		4,675	65,324	65,324		7,500
50 Advertising & Publishing	22,143	3,472	56,000	26,000	26,000	56,000
53 Contractual Services	3,283	(352)	5,000	5,000	5,000	5,000
54 Dues & Publications	29					
58 Maintenance Services			1,000	1,000	1,000	2,000
59 Postage	207	147	500	500	250	500
60 Professional Services	74,821	51,008	100,000	72,294	60,000	
63 Telecommunication Services	1,900	1,925	2,500	2,500	2,000	2,500
68 Licenses & Fees	35		15	20	20	20
87 Vehicle O & M	500		500	500	250	500
90 Office Equipment and Furniture	65	1,155	200	651	651	
94 Capital Projects		23,270	379,730	379,730	15,330	425,000
97 PC Hardware & Software	966	1,657				1,500
Division Total	306,238	292,534	835,997	779,997	332,201	729,537

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 514 KPU Manager

Function: 014 Administration

DETAIL OF PERSONNEL SERVICES

Job Classification	2007	2008	2009		2010	
	Actual	Actual	Adopted	Amended	Number	Salary
KPU General Manager	0.50	0.50	0.50	0.50	0.50	75,120
Assistant KPU General Manager	0.50	0.50	0.50	0.50	0.50	48,487
Senior Administrative Assistant	0.50	0.50	0.50	0.50	0.50	22,185
TOTAL	1.50	1.50	1.50	1.50	1.50	145,792

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various **Function:** 014 Administration
Department: 514 KPU Manager

2010 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2010 Budget	Salaries & Wages	Overtime	Temporary Salaries	Employee Benefits	Education & Training	Office Furniture	Motor Vehicles	Operating Equipment	PC Hardware	Account 94		
			11	12	14	16	41	90	92	93	97	Contractual Services	Materials & Supplies	
Financial & Accounting Info System	B-2	432,500					7,500							425,000
		432,500					7,500							425,000
Total Object 94													425,000	

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Engineering 515

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	515 KPU Engineering	727,003	768,557	905,832	905,832	875,050	584,423
	Total Operating	727,003	768,557	905,832	905,832	875,050	584,423
	Capital						
-	515 KPU Engineering	17,822	340,353	120,000	123,000	123,000	
		744,825	1,108,910	1,025,832	1,028,832	998,050	584,423

EXPENDITURE SUMMARY

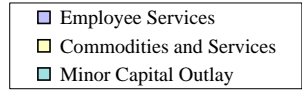
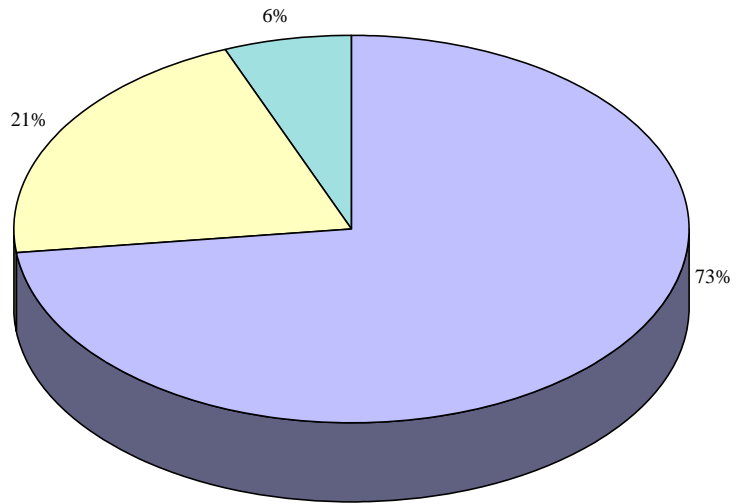
Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	610,994	616,398	724,082	724,082	716,700	427,023
Commodities and Services	91,256	123,868	145,750	145,750	122,350	121,400
Minor Capital Outlay	24,753	28,291	36,000	36,000	36,000	36,000
Total Operating	727,003	768,557	905,832	905,832	875,050	584,423
Capital						
Employee Services		775				
Commodities and Services	17,822	339,578	120,000	123,000	123,000	
Total Capital	17,822	340,353	120,000	123,000	123,000	
	744,825	1,108,910	1,025,832	1,028,832	998,050	584,423

PERSONNEL SUMMARY

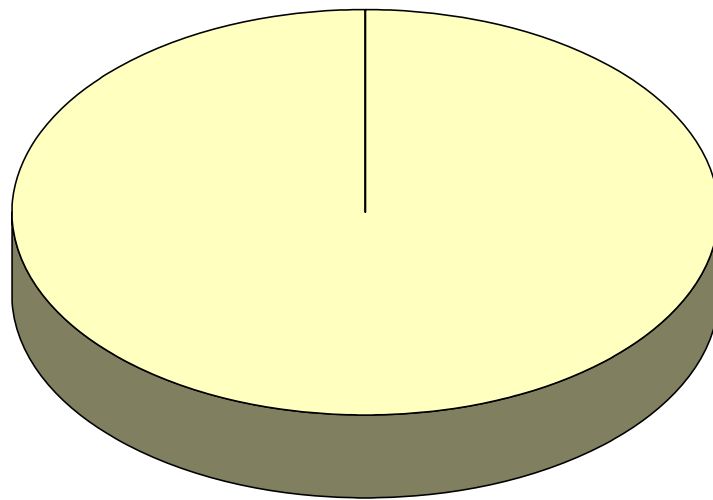
Fund	Division	2007 Actual	2008 Actual	2009			2010 Budget
				Adopted Budget	Amended Budget	Estimate	
410	Engineering	7.50	7.50	7.50	7.50	7.50	4.50
		7.50	7.50	7.50	7.50	7.50	4.50

ENGINEERING

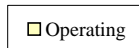
2010 EXPENDITURES



2010 DIVISION SUMMARY



100%



Ketchikan Public Utilities
Engineering Division

Engineering Manager

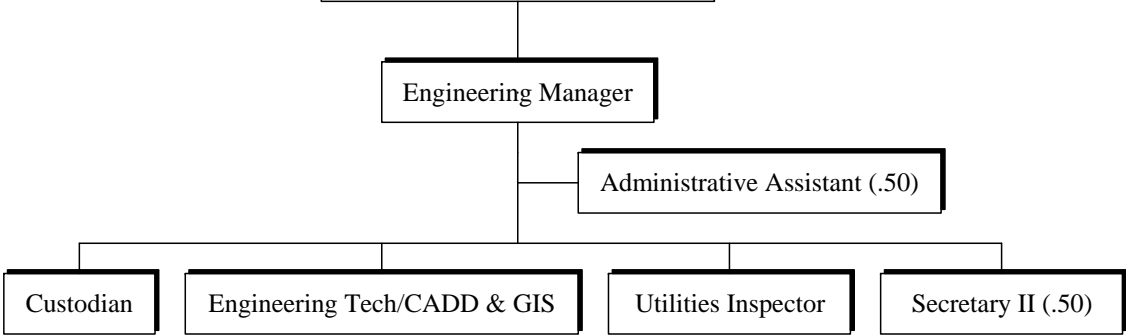
Administrative Assistant (.50)

Custodian

Engineering Tech/CADD & GIS

Utilities Inspector

Secretary II (.50)



KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET ENGINEERING DIVISION

MISSION STATEMENT

The mission of Ketchikan Public Utilities is to provide quality municipal utility services as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council. The Engineering Division is responsible for providing technical engineering support and planning to the Electric, Telecommunications and Water Divisions. These services include in-house analysis and design development, preparation of technical specifications for contractual services, project management of design and construction, inspection of projects, Computer Aided Drafting and Design (CADD) and automated mapping services.

ACCOMPLISHMENTS IN 2009

- Provided complete engineering services, including design, drafting, maps, plans and specifications; bidding services and clerical support; project inspections; safety management; and obtaining utility easements/providing construction management for capital improvement projects for Ketchikan Public Utilities.
- Maintained compliance with FERC requirements for KPU's hydropower projects, including:
 - Updating and exercising Emergency Action Plans;
 - Monitoring ramping rates and minimum flows;
 - Consulting with resource agencies and holding annual reviews;
 - Compliance with FERC's dam safety program; and
 - Creating and maintaining surveillance and monitoring programs.
- Managed the FERC licensing of the Whitman Lake Hydroelectric Project including coordination of consultants, agencies, and stakeholders; applying for and obtaining permits; property acquisition; and review of design documents. KPU received a FERC license for the Project on March 17, 2009.
- Assisted the Electric Division with management of Contract No. 05-25, Engineering Services for Upgrade of Hydroelectric Plants.
- Assisted the Electric Division with management of Contract No. 07-01, Ketchikan Units Nos. 3 & 5 Turbine Upgrade.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ENGINEERING DIVISION**

- Assisted the Electric Division with management of Contract No. 07-04, Whitman Lake Hydroelectric Project Final Design.
- Assisted the Electric Division with the renewal of Contract No. 08-03, Electrical Line Construction Work.
- Assisted the Electric Division with award of Contract No. 08-56, Line Extension to USCG LORAN Station Shoal Cove.
- Assisted the Electric Division with award of Contract No. 09-11, 2009-2011 Bailey Power Plant Fuel Supply.
- Assisted the Electric Division with award of Contract No. 09-18, KPU Switching and Clearance Guidelines.
- Applied for renewal of the Air Quality Operating Permit for the Bailey Powerhouse.
- Worked with the Electric Division to comply with Coast Guard and EPA emergency response planning requirements for the Bailey Powerhouse.
- Assisted the Electric Division in design of residential and commercial utility line extensions.
- Provided risk management services for the City of Ketchikan Law Department, assisting with claims involving the Electric, Telecommunications and Water Divisions.
- Assisted in the compilation of the Electric Division's field inventory utilizing 4DataLink.
- Updated the Electric Division's Outside Plant maps and wiring diagrams and schematics of facilities.
- Provided janitorial services for the KPU Administration Building and the Electric Division Headquarters.
- Provided utility inspections on utility upgrades and new installations.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ENGINEERING DIVISION**

GOALS AND OBJECTIVES FOR 2010

- The Engineering Division will provide complete engineering services, including drafting, maps, plans and specifications; bidding services and clerical support; project inspections; safety management; and construction management for capital improvement projects for Ketchikan Public Utilities.

- Complete design and solicitation of bids for capital improvement projects as authorized by the City Council.

NARRATIVE

Salaries & Wages (Account 11): \$250,823 - This account provides for the annual wages of the employees of the KPU Engineering Division. The decrease to the current year's appropriation is attributable to the transfer of the Senior Project Engineer to the Electric Division and the abolition of vacant Engineering Technician/KPU/CADD & GIS and GIS Analyst positions.

Overtime (Account 12): \$10,000 - This account provides for the payment of overtime incurred by the Engineering Division staff and the Project Inspector, who may be required to be on site during off hours to meet construction deadlines and to maintain Engineering Division staffing requirements during the course of the year. A \$5,000 decrease to the current year's original appropriation has been proposed.

Temporary Salaries (Account 14): \$10,000 - This account provides for the compensation of temporary employees hired either to substitute for the Secretary II, Custodian or Engineering Tech/CADD Operator during absences or to assist the Engineering Division with special projects. A \$5,500 increase above the current year's original appropriation has been proposed.

Employee Benefits (Account 16): \$156,200 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation, and sick leave benefits of employees of the Engineering Division.

Expense Allowance (Account 25): \$500 - This account provides for amounts paid to employees for reimbursement of personal use of equipment and vehicles, mileage allowance, job related meals and incidentals not related to travel and training. A \$500 decrease to the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ENGINEERING DIVISION

Travel (Account 27): \$5,950 - This account provides for the cost associated with business travel by the Engineering Division staff and bringing trainers on site. A \$1,050 decrease, or fifteen percent reduction, to the current year's appropriation has been proposed.

Clothing Allowance (Account 28): \$1,250 - This account provides for the cost of an annual clothing allowance to each qualifying employee of the Engineering Division who is a member of the IBEW, Local 1547, for work related clothing. The division also provides allowances to other engineering employees. No increase above the current year's appropriation has been proposed.

Books & Library Material (Account 30): \$500 - KPU maintains a small library of audio, video and written materials for training and safety that can be checked out by staff. This account provides for the cost of maintaining this library collection. A \$500 decrease to the current year's appropriation has been proposed.

Department Supplies (Account 32): \$2,000 - This account provides for the annual cost of departmental supplies that do not meet the criteria of office supplies and specialized supplies used specifically for engineering and inspection purposes. A \$2,000 decrease to the current year's appropriation has been proposed.

Janitorial Supplies (Account 36): \$3,000 - This account includes the cost of expendable janitorial supplies required to maintain the Administration Building. Costs included in this account include, but are not limited to: cleaning compounds, janitorial paper products, cloths, brooms, mops, etc. A \$2,500 decrease to the current year's appropriation has been proposed.

Maintenance Materials (Account 37): \$3,000 - This account includes the cost for items of an expendable nature associated with maintaining and repairing the Administration Building and/or office areas. Costs provided for in this category include, but are not limited to: filters, light bulbs, interior and exterior paints, wood preservatives, lumber, caulking, steel, ceiling tiles, plaster, lime, plumbing parts or accessories, electrical wire or parts and other materials used in repairing the KPU Buildings. A \$6,000 decrease to the current year's appropriation has been proposed.

Motor Fuel & Lubricants (Account 38): \$2,200 - This account provides for the cost of fuel and lubricants required by vehicles assigned to the Engineering Division. A \$1,700 decrease to the current year's appropriation has been proposed.

Office Supplies (Account 39): \$5,000 - This account includes the costs for expendable supply items used for office work. Costs in this category include, but are not limited to: paper toner and other supplies used in various copy machines, pens, paper, pencils, adding machine tapes, staples, paper clips, in-out trays and minor office equipment with a cost of

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ENGINEERING DIVISION

less than \$500. This account also includes the costs for printing brochures, newsletters, business cards, departmental forms and similar items. No increase above the current year's appropriation has been proposed.

Small Tools & Equipment (Account 40): \$1,000 - This account includes costs for small tools and equipment incurred by the Engineering Division staff for surveying. A \$200 decrease to the current year's appropriation has been proposed.

Education & Training (Account 41): \$8,500 - This account includes costs for training and travel incurred by the Engineering Division staff for training in the AutoCAD, Certalogic GIS and various Infrastructure Management Systems (IMS). A \$1,500 decrease, or fifteen percent reduction, to the current year's appropriation has been proposed.

Safety Program (Account 46): \$500 - This account has been traditionally used to purchase materials and supplies necessary to conduct an ongoing safety program within the Engineering Division. A \$500 decrease to the current year's appropriation has been proposed.

Advertising and Publishing (Account 50): \$2,000 - This account includes the cost for classified advertising for employee hiring, advertising for bid solicitations, legal notices, etc. in newspapers or other media. No increase above the current year's original appropriation has been proposed.

Contractual Services (Account 53): \$7,500 - This account includes the cost of contracted services and shipping. No increase above the current year's appropriation has been proposed.

Dues & Publications (Account 54): \$1,500 - This account provides for the cost of various publications and memberships subscribed to by the Engineering Division staff. A \$500 decrease to the current year's appropriation has been proposed.

Maintenance Services (Account 58): \$18,000 - This account provides for the cost of annual maintenance and repair of computers, fax machines, printers, copiers and typewriters used by the Engineering Division. It also provides for the maintenance services related to the Administration Building including, but not limited to: building fire system testing and maintenance, portable fire extinguisher re-certification, maintenance and repairs of the heating and ventilation system, exterior building repairs, interior building repairs, plumbing repairs, carpet cleaning, etc. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ENGINEERING DIVISION

Postage (Account 59): \$2,000 - This account provides for the annual cost of mailings associated with the ordinary operations of the Utility. An \$800 decrease to the current year's original appropriation has been proposed.

Rentals-Equipment (Account 61): \$200 - This account includes the periodic payment for the use of equipment owned by another party other than the City. A \$300 decrease to the current year's appropriation has been proposed.

Telecommunication Services (Account 63): \$14,000 - This account provides for local and long-distance phone service to support the Utility's Engineering Offices, the City Council and City Attorney when engaged in KPU business. A \$6,000 decrease to the current year's original appropriation has been proposed.

Utilities (Account 65): \$40,000 - This account provides for electric, water, sewer, and solid waste disposal services at the Administration Building. No increase above the current year's appropriation has been proposed.

License & Fees (Account 68): \$200 - This account includes costs for various types of licenses and/or fees. Costs provided for in this account include, but are not limited to: vehicle license plates and registrations, building permits, business licenses, etc. A \$300 decrease to the current year's appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$2,600 - This account includes the costs associated with operating and maintaining the Engineering Division's (2) two vehicles. No increase above the current year's appropriation has been proposed.

Office Equipment and Furniture (Account 90): \$1,000 - This account includes costs of furniture and office equipment, which is of a relatively permanent nature. No increase above the current year's appropriation has been proposed.

PC Hardware & Software (Account 97): \$35,000 - This account provides for the purchase of miscellaneous engineering hardware and software and updates, all maintenance agreements, one non-networked laptop for the Utility Inspector in the field and for upgrading the Engineering Division's computing capabilities to handle large aerial orthophoto files in GIS/CADD. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 515 KPU Engineering

Function: 015 Engineering

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	365,370	385,808	447,082	446,000	446,000	250,823
12 Overtime	16,982	6,221	15,000	10,582	6,000	10,000
14 Temporary Salaries	6,582	7,181	4,500	10,000	10,000	10,000
16 Employee Benefits	222,060	217,963	257,500	257,500	254,700	156,200
25 Expense Allowance	950	22	1,000	1,000	100	500
27 Travel	4,727	3,755	7,000	7,000	7,000	5,950
28 Clothing Allowance	717	920	1,250	1,250	1,250	1,250
30 Books & Library Material	188	2,358	1,000	1,000	500	500
32 Department Supplies	3,031	2,586	4,000	4,000	2,000	2,000
36 Janitorial Supplies	3,066	4,296	5,500	5,500	3,000	3,000
37 Maintenance Materials	5,249	3,069	9,000	9,000	5,000	3,000
38 Motor Fuel & Lubricants	3,443	2,819	3,900	3,900	2,000	2,200
39 Office Supplies	4,454	5,205	5,000	5,000	5,000	5,000
40 Small Tools & Equipment	589	85	1,200	1,200	1,000	1,000
41 Education & Training	5,420	7,238	10,000	10,000	8,500	8,500
46 Safety Program	969	19	1,000	1,000	500	500
50 Advertising & Publishing	194	561	2,000	4,500	4,500	2,000
53 Contract Services	555	7,826	7,500	7,500	7,500	7,500
54 Dues & Publications	1,478	820	2,000	2,000	1,500	1,500
58 Maintenance Services	8,171	27,396	18,000	18,000	18,000	18,000
59 Postage	(279)	312	2,800	2,146	2,000	2,000
60 Professional Services	4,560					
61 Rental - Equipment		393	500	500	200	200
63 Telecommunication Services	10,444	10,565	20,000	18,154	12,000	14,000
65 Utilities	30,358	40,884	40,000	40,000	38,000	40,000
68 Licenses & Fees	111	148	500	500	200	200
87 Vehicle O & M	2,804	1,787	2,600	2,600	2,600	2,600
89 Materials & Services	57	804				
90 Office Equipment	904	4,315	1,000	1,000	1,000	1,000
94 Capital Projects	17,822	339,578	120,000	123,000	123,000	
97 PC Hardware & Software	23,849	23,976	35,000	35,000	35,000	35,000
Division Total	744,825	1,108,910	1,025,832	1,028,832	998,050	584,423

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 515 KPU Engineering

Function: 015 Engineering

DETAIL OF PERSONNEL SERVICES

Job Classification	2007	2008	2009		2010	
	Actual	Actual	Adopted	Amended	Number	Salary
Engineering Manager	0.50	0.50	0.50	0.50	0.50	53,560
Administrative Assistant	0.50	0.50	0.50	0.50	0.50	22,759
Senior Project Engineer	1.00	1.00	1.00	1.00		
Utilities Inspector	1.00	1.00	1.00	1.00	1.00	67,568
Engineering Tech-KPU/CADD & GIS	2.00	2.00	2.00	2.00	1.00	51,260
Secretary II	0.50	0.50	0.50	0.50	0.50	22,143
GIS Analyst	1.00	1.00	1.00	1.00		
Custodian-KPU	1.00	1.00	1.00	1.00	1.00	33,533
TOTAL	7.50	7.50	7.50	7.50	4.50	250,823

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: 017 Sales, Marketing & Customer Service 517

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	517 Customer Service	939,405	908,732	1,188,122	2,008,202	1,948,202	2,021,811
	Total Operating	939,405	908,732	1,188,122	2,008,202	1,948,202	2,021,811
	Capital						
-	517 Customer Service			25,000	58,000	58,000	38,000
		939,405	908,732	1,213,122	2,066,202	2,006,202	2,059,811

EXPENDITURE SUMMARY

Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	709,031	690,948	886,422	1,263,940	1,263,940	1,297,451
Commodities and Services	212,111	212,376	291,700	738,262	678,262	722,360
Minor Capital Outlay	18,263	5,408	10,000	6,000	6,000	2,000
Total Operating	939,405	908,732	1,188,122	2,008,202	1,948,202	2,021,811
Capital						
Employee Services						
Commodities and Services			25,000	58,000	58,000	38,000
Total Capital			25,000	58,000	58,000	38,000
	939,405	908,732	1,213,122	2,066,202	2,006,202	2,059,811

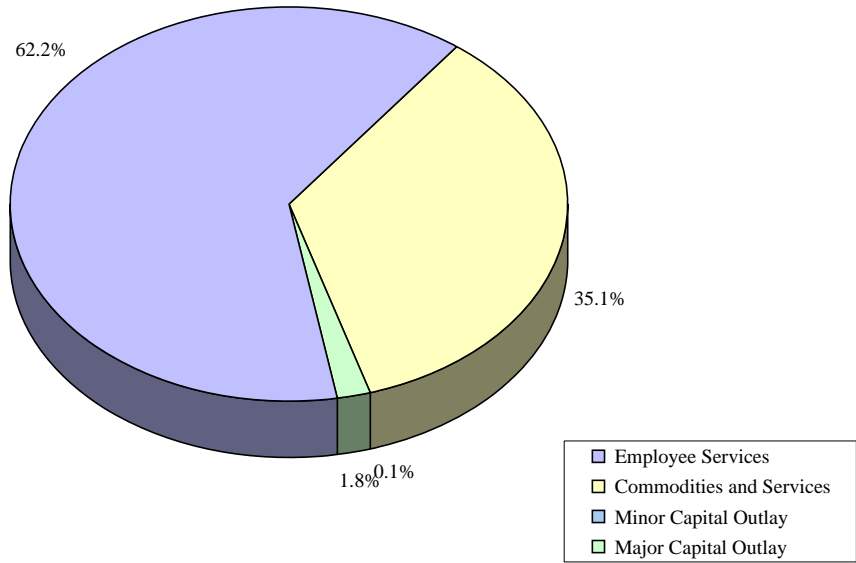
PERSONNEL SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted Budget	Amended Budget	Estimate	Budget
410	Customer Service	12.50	12.50	12.50	16.50	16.50	16.00
		12.50	12.50	12.50	16.50	16.50	16.00

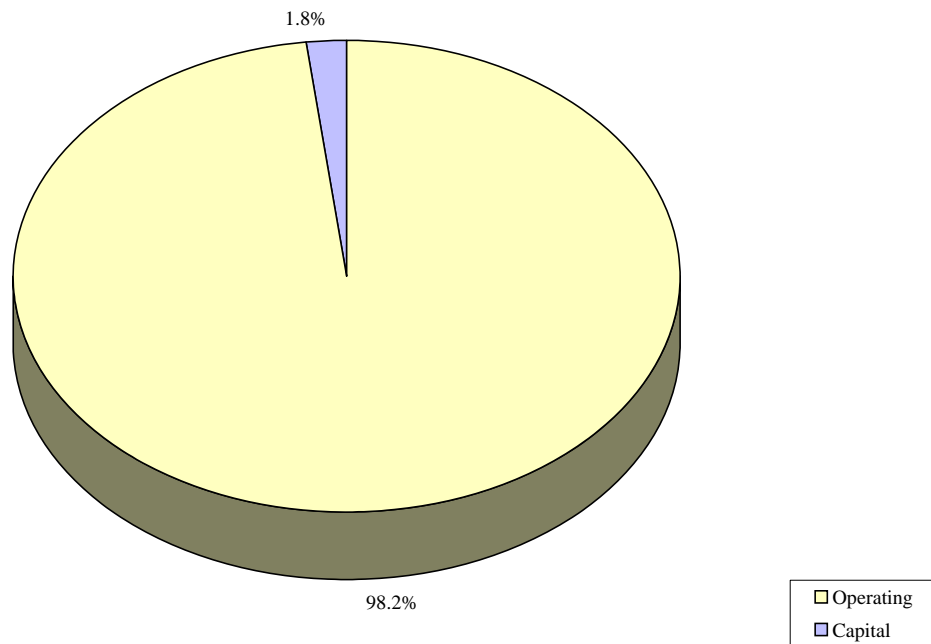
Effective May 7, 2009 the Sales, Marketing and Customer Division was established by the City Council by combining staff that filled sales, marketing and customer service functions within Ketchikan Public Utilities into one division. The 2007 and 2008 actual columns have not been adjusted to reflect this consolidation.

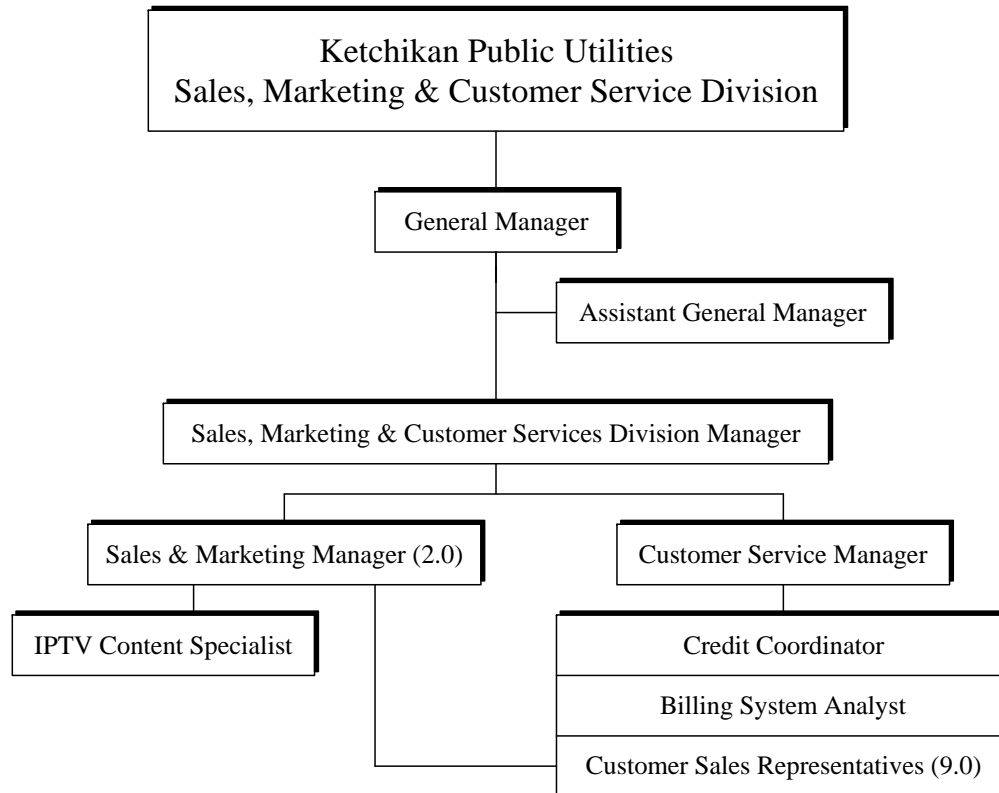
SALES, MARKETING & CUSTOMER SERVICE

2010 EXPENDITURES



2010 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

MISSION STATEMENT

The Sales, Marketing, & Customer Service Division is committed to providing quality customer services in a courteous, accurate and timely manner to the customers of Ketchikan Public Utilities.

ACCOMPLISHMENTS IN 2009

- Created a new Sales, Marketing, & Customer Service Division, which reports directly to the General Manager. Comprised of former KPU Marketing and Customer Service employees,, the new division is now responsible for serving and meeting the needs of all the customers that the Utility serves.
- Recruited and staffed a new Director of Sales, Marketing and Customer Service.
- Recruited and staffed two (2) new Sales & Marketing Managers.
- Revised the position descriptions and titles of division employees to better define sales-specific responsibilities and accountabilities, as well as to focus the division's energies to establishing a sales culture.
- Began expanding KPU's local television channels to develop a product that attracts and retains customers, in order to enhance revenue streams.
- Contracted with Hiring Solutions, in order to ensure candidates for Customer Sales Representative positions possess the inherent sales skills and/or attributes required in a sales position.
- Began providing the training, supervision, coaching, counseling and other actions necessary to create, instill and sustain a sales culture within the Sales, Marketing & Customer Service Division.
- Implemented in-house sales training for Customer Sales Representatives.
- Implemented sales incentive programs for Customer Sales Representatives and other KPU employees.
- Secured a lease at the Ketchikan Plaza Mall for relocation of the Sales, Marketing & Customer Service Division from the KPU Administration Building.
- Successfully recruited for several vacant Customer Sales Representative positions and the Billing System Analyst position. Qualified candidates were hired to fill the vacant positions.

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

- Conducted refresher training and continued to utilize customer service training provided by the Measure X Sales Training Program and installed a Secure Voice recording system that is being used to coach employees and reinforce the customer service skills learned from the training.
- Throughout 2009, local programming on KPU CommVision expanded while the Telecommunications Division continued to broadcast art shows, more elaborate content including gardening, coverage of special local meetings, Historic Ketchikan presentations, Kayhi Baseball, Kayhi Basketball, many local musical performances and expanded coverage of the 4th of July celebrations and the Ketchikan Blueberry Arts Festival. KPU has used local programming as one of the most valuable service differentiators from its competition and the Sales, Marketing & Customer Service Division will work with the Telecommunications Division to expand this effort in 2010.
- With the addition of new local content, particularly with an emphasis on revenue-producing content, it is imperative that the division increases the efficiency, reliability and quality of its video-production operations and equipment. Quality improvement steps are underway to enhance the methods for sending local content programming over the network. These steps are expected to greatly improve the video reception at the customer's home as well as streamline processes for airing the content.
- Hosted Business Telephone services continued to be the focus for sales to businesses requiring an improvement to voice communications. With the creation of the KPU Flexible Business Bundle, these discounts were promoted throughout the year to business customers.

GOALS AND OBJECTIVES FOR 2010

- Implement programs to decrease porting activity and increase residential and business win-backs.
- Utilize the Sales & Marketing Managers as sales coaches, counselors and supervisors to increase the sales effectiveness of the Customer Service Representatives.
- Utilize Measure X as a sales-skill effectiveness measure.
- Utilize Hiring Solutions as a sales-skill-attribute measure prior to hiring new CSR's.
- Utilize creative sales-incentive programs to ensure measurement and success of the Customer Sales Representatives' sales efforts.
- Utilize the new Plaza location as a competitive asset, focusing upon outselling and out-competing the competition.

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

- Utilize the capacity and capabilities of CommVision as a competitive and strategic asset (as a tool to win-back and retain customers and to grow revenue).
- Create, instill and sustain a sales culture within the Sales, Marketing & Customer Service Division.
- Utilize creative and effective advertising to create and maintain a KPU image (a local company that is competent, professional and easy to do business with).
- Utilize creative and effective advertising to sell product via communicating the message of a truly local company that sells superior products with competitive prices.

BUDGET NARRATIVE

Salaries and Wages (Account 11): \$767,451 - This account provides for the annual salaries and wages of the employees of the Sales, Marketing and Customer Service Division. Although salaries and wages have increased due to the formation of the new division, it is proposed to abolish one vacant part-time Customer Sales Representative effective January 1, 2010.

Overtime (Account 12): \$15,000 - This account provides for the cost of overtime wages incurred as a result of Customer Sales Representatives working after normal business hours during the peak seasons and on special projects. No increase above the current year's original appropriation has been proposed.

Employee Benefit Costs (Account 16): \$515,000 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation, and sick leave benefits for employees of the Sales, Marketing & Customer Service Division.

Expense Allowance (Account 25): \$26,000 - This account provides for the cost of an employee incentive program for the employees of the Sales, Marketing, & Customer Service Division. A \$2,500 increase above the current year's amended appropriation has been proposed.

Travel (Account 27): \$ 8,000 - This account provides for the cost of travel expenses associated with business-related activities of the Sales, Marketing, and Customer Service Division. As a result of the changing technology and competitive issues within the telecommunications industry, the division needs to be present at important trade and industry meetings to research and assess new products and services. A \$1,000 increase above the current year's amended appropriation has been proposed.

Books & Library Materials (Account 30): \$300 - This account provides for technical books and reference publication. A \$200 increase above the current year's amended appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

Department Supplies (Account 32): \$40,160 - This account provides funding for the purchase of department supplies that do not meet the criteria of office supplies. The majority of this expense is for printed materials such as marketing brochures and bill stuffers. A \$8,850 increase above the current year's amended appropriation has been proposed.

Janitorial Supplies (Account 36): \$1,200 - This account provides for the cost of janitorial supplies utilized by the division during the course of the year at the new Plaza location. A \$1,200 increase above the current year's appropriation has been proposed.

Motor Fuels and Lubricants (Account 38): \$ 1,200 - This account provides for the purchase of all motor fuels and lubricants used by the division during the course of a year. A \$1,200 increase above the current year's appropriation has been proposed.

Office Supplies (Account 39): \$31,500 - This account provides for the purchase of expendable office supplies and billing materials including paper, toner, pens, pencils, calculator tape, staples, paper clips, and minor office equipments (less than \$500). No increase above the current year's amended appropriation has been proposed.

Education & Training (Account 41): \$18,500 - This account provides for training and educational activities to support the staff of the division. No increase above the current year's amended appropriation has been proposed.

Advertising & Publishing (Account 50): \$238,000 - This account provides for creation, publication and/or broadcast of radio and print advertising, image and product promotion, job openings and public information notices. A \$4,324 decrease to the current year's amended appropriation has been proposed.

Community Promotion (Account 51): \$6,000 - This account provides funding for various activities that promote the City of Ketchikan and Ketchikan Public Utilities' image and services. No increase above the current year's amended appropriation has been proposed.

Contractual Services (Account 53): \$8,500 - This account provides for the cost of credit reporting services and to fund professional services (IT) consulting to ensure maximum efficiency, reliability and performance of the division's local television production network. A \$1,750 increase above the current year's amended appropriation has been proposed.

Dues & Publications (Account 54): \$1,700 - This account provides for the cost of dues and publications subscribed to by the division. No increase above the current year's amended appropriation has been proposed.

Maintenance Services (Account 58): \$5,000 - This account provides for the cost of equipment maintenance and service contracts. A \$900 increase above the current year's amended appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

Postage (Account 59): \$78,900 - This account provides for the cost of mailing all utility billings. A \$3,750 increase above the current year's amended appropriation has been proposed.

Professional Services (Account 60): \$40,000 - This includes the cost of services to measure and improve employee performance, employment screening and external marketing/sales professional services. No increase above the current year's amended appropriation has been proposed.

Rentals - Equipment (Account 61): \$2,000 - This account provides for the cost of rental equipment used by the division. No increase above the current year's appropriation has been proposed.

Rentals – Space (Account 62): \$ 84,000 - This account provides for the cost of renting space at the Ketchikan Plaza Mall by the Sales, Marketing & Customer Service Division. An \$82,500 increase above the current year's original appropriation has been proposed.

Telecommunications Service (Account 63): \$15,900 - This account provides for monthly charges, long-distance services, line rentals and maintenance of the phone system and cell phones associated with the Sales, Marketing & Customer Service Division conducting business. No increase above the current year's amended appropriation has been proposed.

Utilities (Account 65): \$6,000 - This account provides for the cost of utilities at the Ketchikan Plaza Mall. A \$3,200 increase above the current year's amended appropriation has been proposed.

Licenses & Fees (Account 68): \$100,000 - This account provides for the cost of fees to financial institutions for credit card and automatic clearing house transactions. A \$60,000 decrease to the current year's appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$1,000 - This account provides for the cost of maintaining the Sales, Marketing & Customer Service Division's vehicles and motorized equipment. A \$1,000 increase above the current year's appropriation has been proposed.

Materials & Services (Account 89): \$8,500 - This account provides for the cost of miscellaneous materials and services for operations. A \$4,000 increase above the current year's amended appropriation has been proposed.

Office Equipment & Furniture (Account 90): \$2,000 - This account provides for the cost of office equipment and furniture purchases that the division incurs during the course of the year. A \$52,000 decrease to the current year's amended appropriation has been proposed.

Vehicles & Moving Equipment (Account 92): \$12,000 - This account provides for the purchase one vehicle to be shared between and utilized by the Sales Managers and the Customer

KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

Service Manager to provide transportation to business customer locations and to related KPU offices. A \$12,000 increase above the current year's appropriation has been proposed.

Personal Computer Hardware and Software (Account 97): \$26,000 - This account provides for the cost of replacement computers and monitors. This account also provides for the purchase of a high quality video camera for local television content filming (\$10,000) and the purchase of a computer server for local television content production (\$10,000). A \$20,000 increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise

Function: 017 Sales, Marketing & Customer Service

Department: 517 Sales, Marketing & Customer Service

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	418,915	413,327	514,722	735,912	735,912	767,451
12 Overtime	19,290	20,630	15,000	16,000	16,000	15,000
16 Employee Benefits	270,826	256,991	356,700	512,028	512,028	515,000
25 Expense Allowance	300	4,762	12,000	45,500	45,500	26,000
27 Travel				7,000	7,000	8,000
30 Books & Library Material			100	100	100	300
32 Department Supplies				31,310	31,310	40,160
36 Janitorial Supplies						1,200
38 Motor Fuel & Lubricants						1,200
39 Office Supplies	21,721	17,976	25,000	31,500	31,500	31,500
41 Education & Training	28,396	(295)	15,000	18,500	18,500	18,500
50 Advertising & Publishing	707	2,151	1,000	242,324	242,324	238,000
51 Community Promotion				6,000	6,000	6,000
53 Contract Services	3,180	(2,970)	3,500	6,750	6,750	8,500
54 Dues & Publications	515	520	300	1,700	1,700	1,700
58 Maintenance Services	2,341	2,234	3,000	4,100	4,100	5,000
59 Postage	58,606	61,394	62,000	75,150	75,150	78,900
60 Professional Services				40,000	40,000	40,000
61 Rental - Equipment			2,000	2,000	2,000	2,000
62 Rental - Space	1,855	1,242	1,500	43,128	43,128	84,000
63 Telecommunication Services	1,558	513	5,500	15,900	15,900	15,900
65 Utilities	5,293	5,480	300	2,800	2,800	6,000
68 Licenses & Fees	127	32	160,000	160,000	100,000	100,000
87 Vehicle Operation & Maintenance						1,000
89 Materials & Services	87,512	119,336	500	4,500	4,500	8,500
90 Office Equipment	1,121	1,470	4,000	54,000	54,000	2,000
92 Vehicles & Moving Equipment						12,000
93 Operating Equipment	12,860	333				
94 Capital Projects			25,000	4,000	4,000	
97 PC Hardware & Software	4,282	3,605	6,000	6,000	6,000	26,000
Division Total	939,405	908,732	1,213,122	2,066,202	2,006,202	2,059,811

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise **Function:** 017 Sales, Marketing & Customer Service
Department: 517 Sales, Marketing & Customer Service

DETAIL OF PERSONNEL SERVICES

Job Classification	2007	2008	2009		2010	
	Actual	Actual	Adopted	Amended	Number	Salary
Sales, Marketing & CS Manager				1.00	1.00	94,677
Marketing Manager				2.00	2.00	124,442
Customer Service Manager	1.00	1.00	1.00	1.00	1.00	60,067
IPTV Content Spec/Marketing Rep				1.00	1.00	49,715
Credit Coordinator	1.00	1.00	1.00	1.00	1.00	54,108
Billing System Analyst	1.00	1.00	1.00	1.00	1.00	45,581
Customer Sales Rep III	3.00	3.00	3.00	3.00	3.00	119,872
Customer Sales Rep II	4.00	4.00	4.00	4.00	4.00	147,370
Customer Sales Rep I	2.50	2.50	2.50	2.50	2.00	71,619
TOTAL	12.50	12.50	12.50	16.50	16.00	767,451

Effective May 7, 2009 the Sales, Marketing and Customer Division was established by the City Council by combining staff that filled sales, marketing and customer service functions within Ketchikan Public Utilities into one division. The 2007 and 2008 actual columns have not been adjusted to reflect this consolidation.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various **Function:** 017 Sales Marketing & Customer Service
Department: 517 Sales, Marketing & Customer Service

2010 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2010 Budget	Salaries & Wages	Employee Benefits	Travel & Training	Motor Vehicles	Operating Equipment	PC Hardware	Account 94	
			11	16	27	92	93	97	Contractual Services	Materials & Supplies
Vehicle Acquisition	C-2	12,000				12,000				
PC Hardware & Software	C-3	26,000						26,000		
		38,000				12,000		26,000		

Total Object 94

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Electric 571

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	571 Electric	9,865,609	12,053,248	11,933,712	13,796,552	12,339,270	11,611,693
	Total Operating	9,865,609	12,053,248	11,933,712	13,796,552	12,339,270	11,611,693
	Capital						
-	571 Electric	3,284,848	3,807,527	8,513,123	8,929,619	3,170,627	9,613,576
		13,150,457	15,860,775	20,446,835	22,726,171	15,509,897	21,225,269

EXPENDITURE SUMMARY

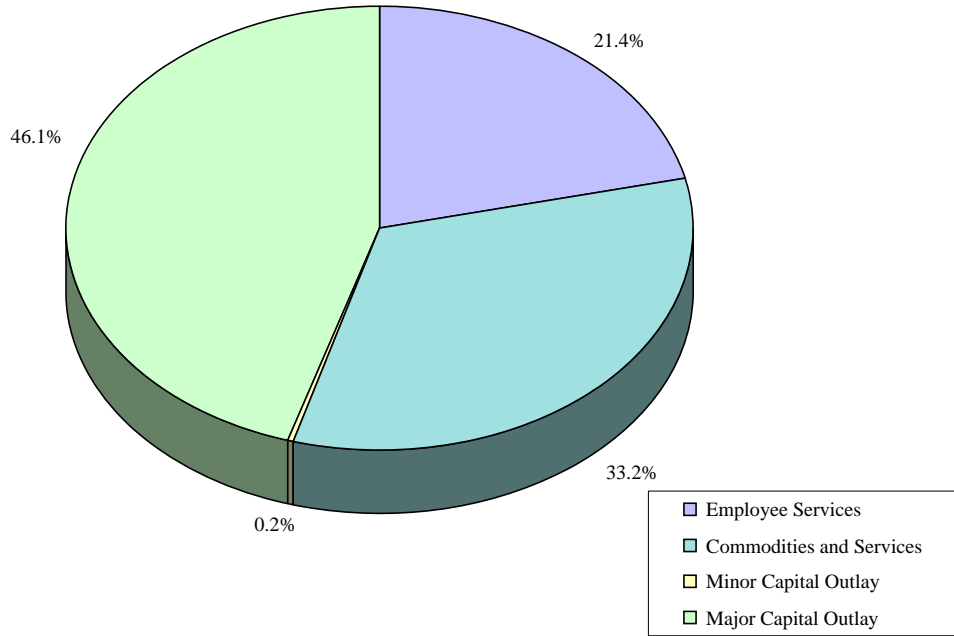
Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	3,389,604	3,549,896	4,820,827	4,642,517	4,064,690	4,537,963
Commodities and Services	6,460,625	8,483,417	7,071,885	9,105,535	8,230,080	7,038,730
Minor Capital Outlay	15,380	19,935	41,000	48,500	44,500	35,000
Total Operating	9,865,609	12,053,248	11,933,712	13,796,552	12,339,270	11,611,693
Capital						
Employee Services	450,096	346,475	78,000	256,310	256,310	78,000
Commodities and Services	2,834,752	3,461,052	8,435,123	8,673,309	2,914,317	9,535,576
Total Capital	3,284,848	3,807,527	8,513,123	8,929,619	3,170,627	9,613,576
	13,150,457	15,860,775	20,446,835	22,726,171	15,509,897	21,225,269

PERSONNEL SUMMARY

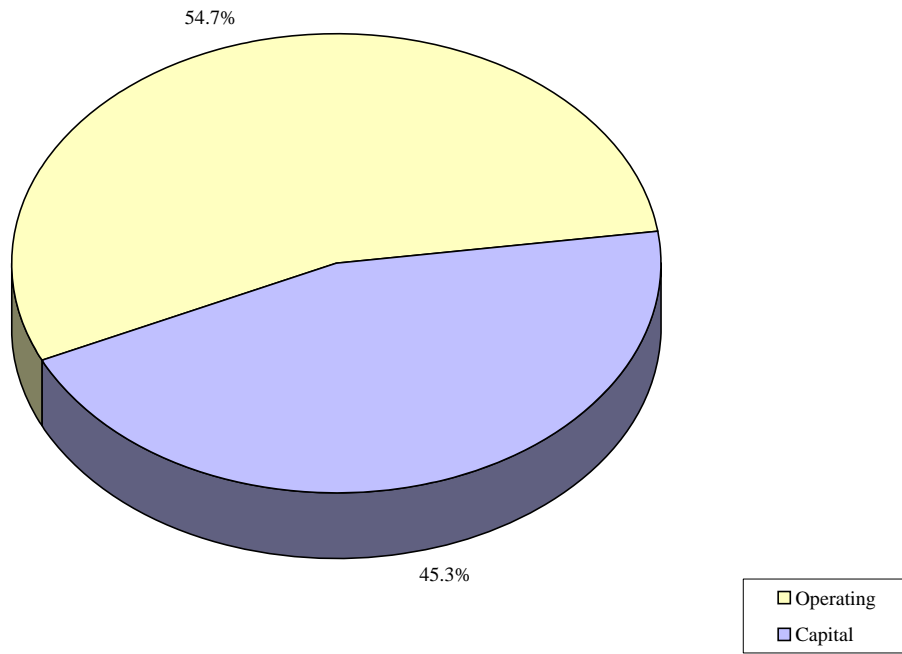
Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Electric	39.00	39.00	39.00	39.00	39.00	38.09
412	Swan Lake - Operations	3.00	3.00	3.00	3.00	3.00	3.00
		42.00	42.00	42.00	42.00	42.00	41.09

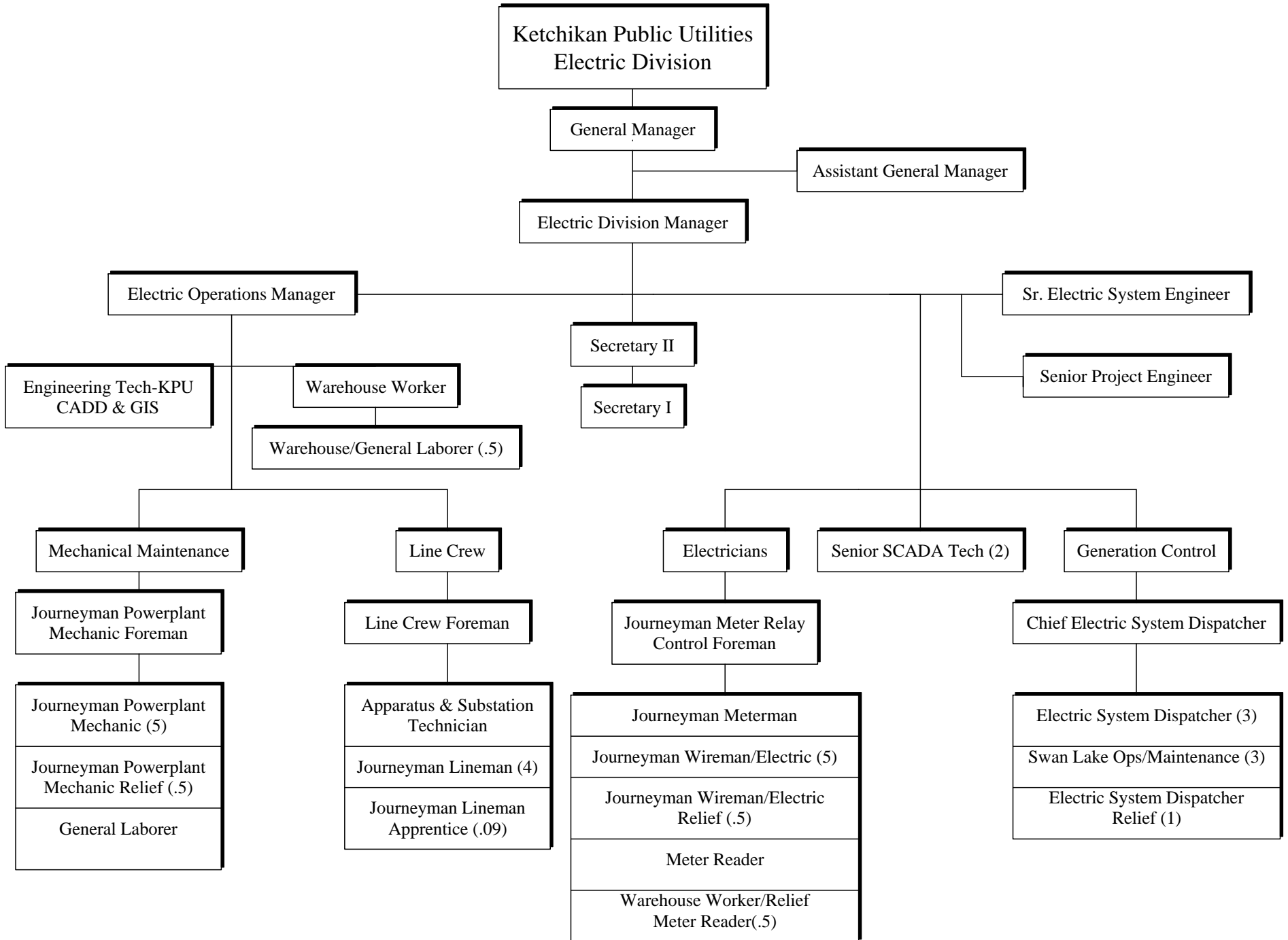
ELECTRIC

2010 EXPENDITURES



2010 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET ELECTRIC DIVISION

MISSION STATEMENT

The Electric Division is committed to generating and distributing reliable electrical power to residents and businesses of the City of Ketchikan and the Ketchikan Gateway Borough at the lowest possible rates. The Electric Division stands ready to assist its customers as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council.

The Electric Division strives to operate in accordance with the following principles:

- Create a safe work environment for employees and safe services for customers.
- Assure adequate supply of electrical energy to meet the short-term and long-term needs of the community.
- Continuously review and improve the reliability of Ketchikan's electric generation, distribution and transmission systems.
- Continuously seek to improve operational efficiency.
- Keep electric rates among the lowest in Alaska.

ACCOMPLISHMENTS IN 2009

- Completed Ketchikan Plant Unit Nos. 3 and 5 runner replacement and commissioning.
- Closed out the EDA grant for the Gravina Island electric and telecommunications line extension project.
- Revised the Alaska Ship and Drydock, Inc. power sales agreement to allow for the rehabilitation of the 3.5 MW Bailey Unit No.2 standby diesel generator.
- Proceeded with the USCG Loran Station Shoal Cove Project by beginning a conceptual design study and the permitting/environmental assessment phases.
- Began implementation of switching and clearance procedures to help ensure a safe working environment and bring the division into compliance with OSHA regulations.
- Completed a short-circuit study of the KPU system in preparation for completion of SEAPA Swan Lake/Lake Tyee Intertie.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ELECTRIC DIVISION

- Initiated discussions with SEAPA, Petersburg Municipal Power and Light and Wrangell Municipal Light and Power to refine operations of the Swan Lake/Lake Tyee Intertie system.
- Completed replacement of the Beaver Falls Plant control room roof.
- Completed a preliminary load study of Bethe Substation in preparation for increasing demands due to electrical heat conversions.
- Upgraded VHF communications to the Ketchikan Lakes dam.
- Completed the installation of a fresh-air ventilation system in the Electric Division warehouse.
- Worked in conjunction with Metlakatla to further the proposed KPU-Metlakatla Power and Light Intertie Project.
- Implemented a Silvis Lake winter access policy to address dangerous avalanche conditions.
- Began load forecasting for SEAPA's new Swan Lake operations plan.
- Began to convert to windows based troubleshooting software from the outdated Q&A database.

GOALS AND OBJECTIVES FOR 2010

The KPU Electric Division will focus on specific safety, reliability and efficiency projects and initiatives in FY 2010. Strategically, this will mean attention to issues to support reliable, interconnected operation with the Intertie; improving reliability of the distribution system; and planning for and managing load growth introduced by heating conversions and normal growth.

- Complete planning, engineering and funding identification of the Bethe Substation modification.
- Replace submarine cable to Pennock and South Gravina Islands.
- Improve transformer PCB management.
- Upgrade necessary circuit breakers identified as over-stressed in the 2009 short circuit analysis.
- Complete the replacement of Ketchikan Generator Step-up Transformer to eliminate failure risk.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ELECTRIC DIVISION**

- Obtain funding and begin construction of the Whitman Lake Hydroelectric Project in 2010.
- Complete Silvis breaker installation at Upper Beaver Falls switchyard for 34.5 kV line protection.
- Close gap on safety training requirements.
- Continue technical assessment and expand the application base of the Automatic Meter Reading System.
- Complete engineering for the replacement of Vault No.3 in the downtown area.

NARRATIVE

Salaries and Wages (Account 11): \$2,843,063 - This account provides for the cost of the annual wages of the employees of the Electric Division. The decrease to the current year's amended appropriation is attributable to the abolition of one Electric System Dispatcher/Journeyman Powerplant Mechanic Relief position effective January 1, 2010 and funding the Lineman Apprentice position for one month rather than the entire year.

Overtime (Account 12): \$114,000 - This account provides for the cost of scheduled and unscheduled overtime. Requested funding includes the cost of line trouble call outs, emergency equipment repairs and work that must be scheduled during hours other than normal working hours. No increase above the current year's original appropriation has been proposed.

Temporary Salaries (Account 14): \$31,000 - This account provides for the cost of funding the employment of temporary laborers to accomplish specific tasks such as traffic control and brushing. Utilizing temporary employees avoids the Electric Division having to dilute its technical work force to accomplish these more basic tasks. No increase above the current year's appropriation has been proposed.

Employee Benefit Costs (Account 16): \$1,627,900 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation and sick leave benefits of employees of the Electric Division.

Expense Allowance (Account 25): \$20,000 - This account provides for the cost of general expenses during the course of the year that are incurred by the Electric Division staff. This account will provide for the cost of moving expenses associated with recruiting qualified personnel. No increase above the current year's original appropriation has been proposed.

Medical Exams (Account 26): \$3,000 - This account provides for the cost of funding medical examinations of division employees covered by the collective bargaining agreement between Ketchikan Public Utilities and the International Brotherhood of Electrical Workers, Local 1547. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ELECTRIC DIVISION**

Travel (Account 27): \$18,275 - This account provides for the cost of travel expenses associated with business-related activities of the Electric Division. A \$3,225 decrease, or fifteen percent reduction, to the current year's appropriation has been proposed.

Clothing Allowance (Account 28): \$7,740 - This account provides for the cost of an annual clothing allowance to each employee of the division who is a member of the IBEW, Local 1547. The Utility is required to provide \$210 per employee, per year, for work clothing. The lineman and electrician personnel receive an additional \$250.00 per year exclusively for the purchase of fire resistant garments. A \$2,050 increase above the current year's appropriation has been proposed.

Generation Diesel Fuel & Lubricants (Account 29): \$150,000 - This account provides for the cost of diesel fuel associated with electric generation produced by the Bailey Power Plant and lubricating oil. No increase above the current year's original appropriation has been proposed.

Heating Fuel (Account 33): \$10,000 - This account provides for the cost of heating fuel for the Electric Division's warehouse and maintenance facility. No increase above the current year's appropriation has been proposed.

Janitorial Supplies (Account 36): \$1,000 - This account provides for the cost of janitorial supplies utilized by the Electric Division during the course of the year. No increase above the current year's appropriation has been proposed.

Motor Fuels and Lubricants (Account 38): \$48,100 - This account provides for the purchase of all fuels and lubricants used by the division during the course of a year. No increase above the current year's original appropriation has been proposed.

Office Supplies (Account 39): \$12,000 - This account provides for the purchase of expendable office supplies and chart paper used by the division during the course of a year. No increase above the current year's appropriation has been proposed.

Small Tools and Equipment (Account 40): \$28,100 - This account provides for the cost of replacing small hand tools and chain saws that are broken and/or are worn out during the course of the year. No increase above the current year's appropriation has been proposed.

Education & Training (Account 41): \$43,600 - This account provides funding for the cost of annual Electric Division staff training and education. Training programs include mandated OSHA, DEC, USCG and engineering courses. A \$7,700 decrease, or fifteen percent reduction, to the current year's appropriation has been proposed.

Engineering Supplies (Account 45): \$1,500 - This account provides for the cost of specialized office supplies used specifically for engineering purposes. Such supplies include wooden stakes, surveying equipment and machetes for cutting brush in addition to other engineering materials. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ELECTRIC DIVISION

Safety Program (Account 46): \$18,000 - This account traditionally has provided for the purchase of materials and supplies required to conduct an ongoing safety program for the Electric Division. Additional expenses will be required to implement OSHA mandated Arc-Flash protection requirements. No increase above the current year's original appropriation has been proposed.

Advertising and Publishing (Account 50): \$25,000 - This account provides for the cost of all division related advertising and public notices incurred during the course of the year. Occasionally, it is impossible to perform some types of work without disrupting the supply of electricity to the division's customers. In order to minimize the effects of these outages, it is necessary to advertise them in advance. The means of advertising is limited to the local newspaper and local radio stations. In addition, the engineering staff requires funds for public service information including copies of KPU utility construction standards and the recording fees associated with utility line extensions. These funds are also used to advise the public of special operating conditions such as diesel operations and in 2010, potential Intertie issues. In 2010 this account will also provide for the cost of advertising to recruit for qualified employees to fill vacated key positions. A \$10,000 increase above the current year's original appropriation has been proposed.

Line Extension Contribution (Account 52): \$7,500 - In accordance with the Ketchikan Municipal Code (KMC 11.06), the Electric Division is required to make a \$2,500 payment to ratepayers who request residential line extensions and who have paid for the cost of such extensions. No increase above the current year's appropriation has been proposed.

Contractual Services (Account 53): \$132,000 - This account provides for the cost of contractual services, which are required by the Electric Division during the course of the year, including tree trimming (\$100,000). KPU must pursue an aggressive vegetation management plan to maintain system reliability and will partner with KPU Telecommunications for maximum benefit for this program. Funding is also needed for regulatory required activities such as Bailey diesel storage tank inspection (\$15,000) and a FERC required Emergency Action Plan Functional exercise (\$10,000). A \$150,000 decrease to the current year's appropriation has been proposed.

Dues & Publications (Account 54): \$25,000 - This account provides for the cost of various publications and trade manuals, including engineering magazines and subscriptions, subscribed to by the Electric Division. These publications consist of labor related publications, technical manuals and books, electric code standards and safety codes. Dues include membership in the NWPPA, which benefits the Utility by providing OSHA required training at reduced rates and updates on Federal Government legislative actions. No increase above the current year's appropriation has been proposed.

Maintenance Services (Account 58): \$142,000 - This account provides for the cost of routine and non-routine maintenance of the Electric Division's office equipment, the SCADA maintenance agreement (\$40,000), SCADA Upgrade (\$75,000), GIS maintenance (\$12,000), Milsoft Windmil software support (\$3,000). A \$54,750 increase above the current year's original appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ELECTRIC DIVISION**

Postage (Account 59): \$1,715 - This account provides for the cost of mailing division correspondence, packages and special/express mail during the course of the year. No increase above the current year's appropriation has been proposed.

Professional Services (Account 60): \$200,000 - This account provides funding for the cost of professional services utilized by the Electric Division during the course of the year including outside consultants. Tentative plans for 2010 include consultant support to provide development of a KPU lock-out program to support the switching and clearance procedures completed in 2009. Also included are a review of the KPU rate structure to support demand side management implementation and development of interconnection policy and standards. An \$83,000 decrease to the current year's appropriation has been proposed.

Rentals - Equipment (Account 61): \$6,000 - This request includes the renting of equipment during times of short-term need when ownership cannot be justified. No increase above the current year's original appropriation has been proposed.

Rentals - Space (Account 62): \$20,500 - This account provides \$18,000 for pole rental space and \$2,500 for additional storage space. This amount is needed to support the current rental rate. An \$8,000 increase above the current year's original appropriation has been proposed.

Telecommunication Services (Account 63): \$120,000 - This account provides for the cost of telecommunications services and line charges for the various power plants, substations, SCADA and the Electric Division headquarters. No increase above the current year's appropriation has been proposed.

Utilities (Account 65): \$37,000 - This account provides for the cost of funding for all electricity, water, sewer, and solid waste disposal services utilized by the division. No increase above the current year's appropriation has been proposed.

Licenses and Fees (Account 68): \$54,000 - This account provides for the cost of the licensing fees charged by the Federal Energy Regulatory Commission (FERC), vehicle registrations, etc. In 2009, emissions fees increased due to extended diesel operational hours. No increase above the current year's original appropriation has been proposed.

Purchased Power (Account 69): \$5,650,000 - The 2010 Electric Division Budget anticipates power purchases from SEAPA totaling 83,088,000 kWh. This assumes no diesel generation. The estimate pre-supposes continuation of the wholesale power rate at \$0.068 per kWh. No increase above the current year's appropriation has been proposed.

Reimbursable Credit (Account 83): (\$120,800) - This account provides for the reimbursement of labor not charged directly to the Swan Lake Hydroelectric Project. The labor is for dispatching and SCADA services and is reimbursed by SEAPA.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

ELECTRIC DIVISION

Vehicle Operation & Maintenance (Account 87): \$75,000 - This account provides for the cost of maintaining the Electric Division's vehicle fleet. No increase above the current year's original appropriation has been proposed.

Materials & Supplies (Account 89): \$310,000 - This account provides for cost of the materials and services necessary to support the operations and maintenance of Electric Division facilities. No increase above the current year's original appropriation has been proposed.

Office Equipment & Furniture (Account 90): \$7,500 - This account provides for the cost of office furniture that may need to be replaced throughout the year. No increase above the current year's appropriation has been proposed.

Vehicles & Moving Equipment (Account 92): \$60,000 - This project is for the purchase of new or replacement vehicles and moving equipment for the Electric Division. In order to maintain an efficient and safe operating fleet, vehicles and equipment need to be replaced based on a regular cycle. Vehicle replacement in previous years has been minimal. The following is a schedule of the vehicles proposed:

185-55 - Meter Reader Vehicle (1999)	\$30,000
185-35 - Meter Shop - Customer Service Vehicle (2000)	\$30,000

A \$55,000 increase above the current year's original appropriation has been proposed.

Operating Equipment (Account 93): \$127,020 - Purchase of new or replacement equipment for the Electric Engineer, warehouse, meter shop, transformer shop, maintenance, and Bailey Powerhouse. This equipment will be used in the maintenance department and for the operation and maintenance of electrical service.

Bailey Air Compressor Replacement	\$15,000
150 Ton Hydraulic Press	\$25,000
Substation and Powerhouse Meters	\$10,000
Recorder (Sequence of Events) Equipment	\$10,000
Meter Replacements & Parts	\$45,000
Current & Potential Transformers	\$15,000
Engine Scanner/Analyzer	\$7,020

A \$65,020 increase above the current year's original appropriation has been proposed.

Capital Projects (Account 94): \$9,348,556 - This account provides for the cost of funding all direct costs associated with approved capital projects. A \$975,433 increase above the current year's original appropriation has been proposed.

PC Hardware and Software (Account 97): \$20,000 - This account provides for the acquisition of hardware and software required for the Electric Division to manage its infrastructure capabilities. It is anticipated three or four workstations will be replaced and Arc Flash calculation

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
ELECTRIC DIVISION**

software to help meet OSHA Arc Flash compliance would be purchased. A \$1,000 decrease to the current year's original appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 571 Electric

Function: 071 Electric

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	2,316,255	2,366,338	2,947,027	2,797,027	2,530,000	2,843,063
12 Overtime	114,489	168,814	114,000	264,000	264,000	114,000
14 Temporary Salaries	53,736	21,705	31,000	31,000	27,000	31,000
16 Employee Benefits	1,355,220	1,339,514	1,806,800	1,806,800	1,500,000	1,627,900
25 Expense Allowance	11,005	15,106	20,000	25,000	25,000	20,000
26 Medical Exams	2,155	225	3,000	3,000	1,150	3,000
27 Travel	20,146	18,740	21,500	21,500	21,500	18,275
28 Clothing Allowance	4,206	4,699	5,690	5,690	5,690	7,740
29 Generation Fuel & Lubricants	266,201	3,318,611	150,000	2,200,000	2,200,000	150,000
33 Heating Fuel	3,442	7,086	10,000	10,000	7,000	10,000
36 Janitorial Supplies	660	89	1,000	1,000	1,000	1,000
38 Motor Fuel & Lubricants	48,447	52,037	48,100	42,600	40,000	48,100
39 Office Supplies	12,503	10,336	12,000	12,000	12,000	12,000
40 Small Tools & Equipment	20,888	26,370	28,100	28,100	26,400	28,100
41 Education & Training	36,440	26,864	51,300	51,300	39,000	43,600
45 Engineering Supplies		1,119	1,500	1,500	500	1,500
46 Safety Program	10,958	13,292	18,000	28,000	28,000	18,000
50 Advertising & Publishing	35,812	33,297	15,000	35,000	35,000	25,000
52 Line Extension Contribution	2,500	10,000	7,500	7,500	7,500	7,500
53 Contractual Services	159,095	76,243	282,000	282,000	282,000	132,000
54 Dues & Publications	19,202	19,226	25,000	25,000	25,000	25,000
58 Maintenance Services	84,892	42,967	87,250	67,250	67,000	142,000
59 Postage	461	438	1,715	1,715	850	1,715
60 Professional Services	115,915	91,632	283,000	283,000	283,000	200,000
61 Rentals - Equipment	343	215	6,000	5,390	3,500	6,000
62 Rentals - Space	11,864	10,080	12,500	18,000	18,000	20,500
63 Telecommunication Services	114,542	109,884	120,000	120,000	120,000	120,000
65 Utilities	52,177	36,549	37,000	37,000	37,000	37,000
68 Licenses & Fees	43,876	43,227	54,000	60,000	60,000	54,000
69 Purchased Power	5,383,696	4,477,324	5,650,000	5,650,000	4,800,000	5,650,000
83 Reimbursable Credit	(244,591)	(222,301)	(256,770)	(256,770)	(256,770)	(120,800)
87 Vehicle O & M	65,697	56,864	75,000	64,000	64,000	75,000
89 Materials & Services	180,593	213,198	310,000	284,260	284,260	310,000
90 Office Equipment & Furniture	1,512	1,285	7,500	7,500	7,500	7,500
92 Vehicles & Moving Equipment	44,378	50,919	5,000	19,454	19,454	60,000
93 Operating Equipment	23,931	3,352	62,000	77,740	77,740	127,020
94 Capital Projects	2,766,443	3,406,781	8,373,123	8,576,115	2,817,123	9,348,556
97 PC Hardware & Software	11,368	8,650	21,000	33,500	29,500	20,000
Division Total	13,150,457	15,860,775	20,446,835	22,726,171	15,509,897	21,225,269

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 571 Electric

Function: 071 Electric

DETAIL OF PERSONNEL SERVICES

Job Classification	2007	2008	2009		2010	
	Actual	Actual	Adopted	Amended	Number	Salary
ADMINISTRATION						
Electric Division Manager	1.00	1.00	1.00	1.00	1.00	110,276
Assistant Electric Division Manager			1.00	1.00		
Senior Project Engineer			1.00	1.00	1.00	87,885
Electric Operations Manager	1.00	1.00			1.00	76,864
Sr. Electric System Engineer	1.00	1.00			1.00	82,804
Secretary II-Electric	1.00	1.00	1.00	1.00	1.00	44,286
Secretary I-Electric	1.00	1.00	1.00	1.00	1.00	36,603
GENERATION						
Chief Electric System Dispatcher	1.00	1.00	1.00	1.00	1.00	85,497
Electric System Dispatcher	3.00	3.00	3.00	3.00	3.00	222,818
Electric System Dispatcher-Relief	1.50	1.50	1.50	1.50	1.00	74,422
SCADA						
Senior SCADA Technician	2.00	2.00	2.00	2.00	2.00	158,166
LINE CREWS						
Line Crew Foreman	1.00	1.00	1.00	1.00	1.00	98,069
Apparatus & Substation Tech	1.00	1.00	1.00	1.00	1.00	92,475
Journeyman Lineman	4.00	4.00	4.00	4.00	4.00	354,776
Lineman Apprentice	2.00	1.00	1.00	1.00	0.09	3,603
ELECTRICIANS						
Meter Relay Control Foreman	1.00	1.00	1.00	1.00	1.00	83,497
Journeyman Meterman	1.00	1.00	1.00	1.00	1.00	73,872
Journeyman Wireman/Electric	5.00	5.00	5.00	5.00	5.00	369,362
Journeyman Wireman/Electric-Relief	0.50	0.50	0.50	0.50	0.50	37,236
Meter Reader	1.00	1.00	1.00	1.00	1.00	47,210
Warehouse Wrkr-Relief Meter Reader	0.50	0.50	0.50	0.50	0.50	29,242
MAINTENANCE						
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	1.00	82,747
Journeyman Powerplant Mechanic	5.00	5.00	5.00	5.00	5.00	366,860
Journeyman Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	0.50	36,687
SWAN LAKE						
Foreman	1.00	1.00	1.00	1.00	1.00	83,248
Maintenance & Operations Person	2.00	2.00	2.00	2.00	2.00	147,744
OTHER						
Warehouse Worker	1.00	1.00	1.00	1.00	1.00	65,835
Warehouse/General Laborer	0.50	0.50	0.50	0.50	0.50	29,242
Engineering Tech-KPU/CADD & GIS			1.00	1.00	1.00	55,333
General Laborer	1.00	2.00	1.00	1.00	1.00	37,396
Subtotal	42.00	42.00	42.00	42.00	41.09	3,074,055
Less Personnel Allocated Directly to Swan Lake:						
Foreman	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(83,248)
Maintenance & Operation Person	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(147,744)
TOTAL	39.00	39.00	39.00	39.00	38.09	2,843,063

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various **Function: 071 Electric**
Department: 571 Electric

2010 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2010 Budget	Salaries & Wages	Employee Benefits	Travel & Training	Motor Vehicles	Operating Equipment	PC Hardware	Account 94	
			11	16	27	92	93	97	Contractual Services	Materials & Supplies
Bethe Substation	D-2	300,000							300,000	
Pennock Is./Gravina Cable Replacement	D-3	135,000								135,000
PCB Containment /Storage	D-4	50,000							50,000	
Breaker Changes driven by SC Study	D-5	300,000							300,000	
Ketchikan Generator Step-Up Transformer	D-6	188,000								188,000
34.5 kV Line Switches	D-7	15,000								15,000
URD Vault #3 Replacement	D-8	50,000							50,000	
Silvis Breaker	D-9	22,000							22,000	
RTU Replacements	D-10	20,000							20,000	
N. Pt. Higgins Diesel Louvers	D-11	10,000								10,000
Distribution Pole Replacement	D-12	100,000							100,000	
Whitman Lake Hydro Plant	D-13	7,292,000							1,292,000	6,000,000
Transformer Purchase	D-14	100,000								100,000
Vehicle & Moving Equipment	D-15	60,000				60,000				
Beaver Falls Unit 1 Exciter	D-17	30,000							8,000	22,000
Ketchikan Unit 3 Exciter	D-18	110,000							10,000	100,000
Electric Admin Building Roof	D-20	85,000							85,000	
Bailey Control HVAC	D-22	75,000							75,000	
Operating Equipment	D-23	127,020					127,020			
Additional Projects	D-24	150,000							150,000	
Reimbursable Projects	D-25	158,000	52,000	26,000						80,000
Shoal Cove Distribution Line Extension	D-26	231,556							231,556	
Raptor Protection Program	D-27	5,000								5,000
		9,613,576	52,000	26,000		60,000	127,020		2,693,556	6,655,000

Total Object 94 9,348,556

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Telecommunications 572

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
	Operating						
410	572 Regulated	5,487,226	5,858,386	6,826,030	6,258,606	6,166,843	6,100,645
413	572 Non-regulated	254,828	162,758	251,519	251,519	249,983	156,843
414	572 ISP	1,114,869	1,071,308	1,408,065	1,441,264	1,496,378	1,511,568
414	572 DSL TV	758,983	758,358	902,943	902,943	889,025	1,006,490
	Total Operating	7,615,906	7,850,810	9,388,557	8,854,332	8,802,229	8,775,546
	Capital						
415	572 Telecom Regulated	2,156,432	3,556,611	3,407,000	3,386,000	3,251,000	2,175,000
420	572 Telecom Non-Reg			175,000	175,000	175,000	325,000
	Total Capital	2,156,432	3,556,611	3,582,000	3,561,000	3,426,000	2,500,000
		9,772,338	11,407,421	12,970,557	12,415,332	12,228,229	11,275,546

EXPENDITURE SUMMARY

Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	3,564,680	3,765,816	4,624,882	4,201,591	4,232,891	4,425,164
Commodities and Services	4,032,437	4,065,399	4,758,475	4,635,241	4,552,138	4,338,682
Minor Capital Outlay	18,789	19,594	5,200	17,500	17,200	11,700
Total Operating	7,615,906	7,850,810	9,388,556	8,854,332	8,802,229	8,775,546
Capital						
Employee Services	551,217	480,089	575,800	575,800	544,500	262,125
Commodities and Services	1,605,215	3,076,522	3,006,200	2,985,200	2,881,500	2,237,875
Total Capital	2,156,432	3,556,611	3,582,000	3,561,000	3,426,000	2,500,000
	9,772,338	11,407,421	12,970,557	12,415,332	12,228,229	11,275,546

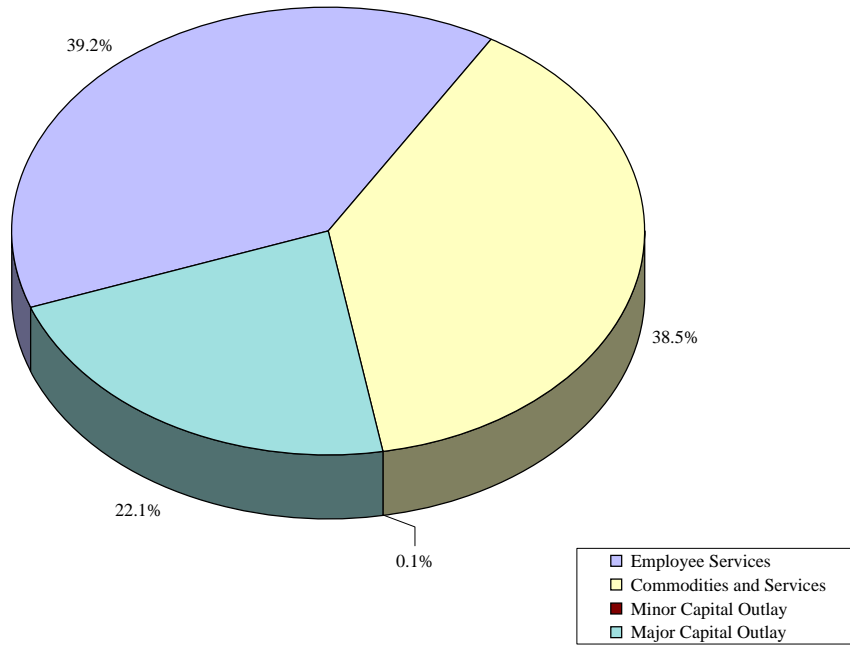
PERSONNEL SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Telecommunications	45.00	47.00	45.00	41.00	41.00	38.27
		45.00	47.00	45.00	41.00	41.00	38.27

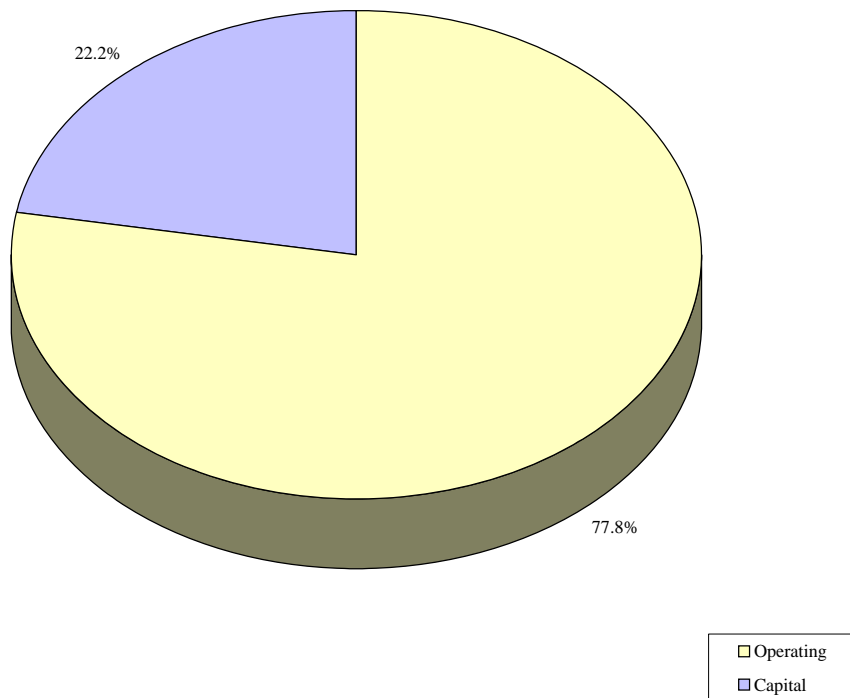
Effective May 7, 2009 the marketing and sales functions of Telecommunications were combined with Customer Service and a new Sales, Marketing and Customer Service Division was established by the City Council. The 2007 and 2008 actual columns have not been adjusted to reflect this consolidation.

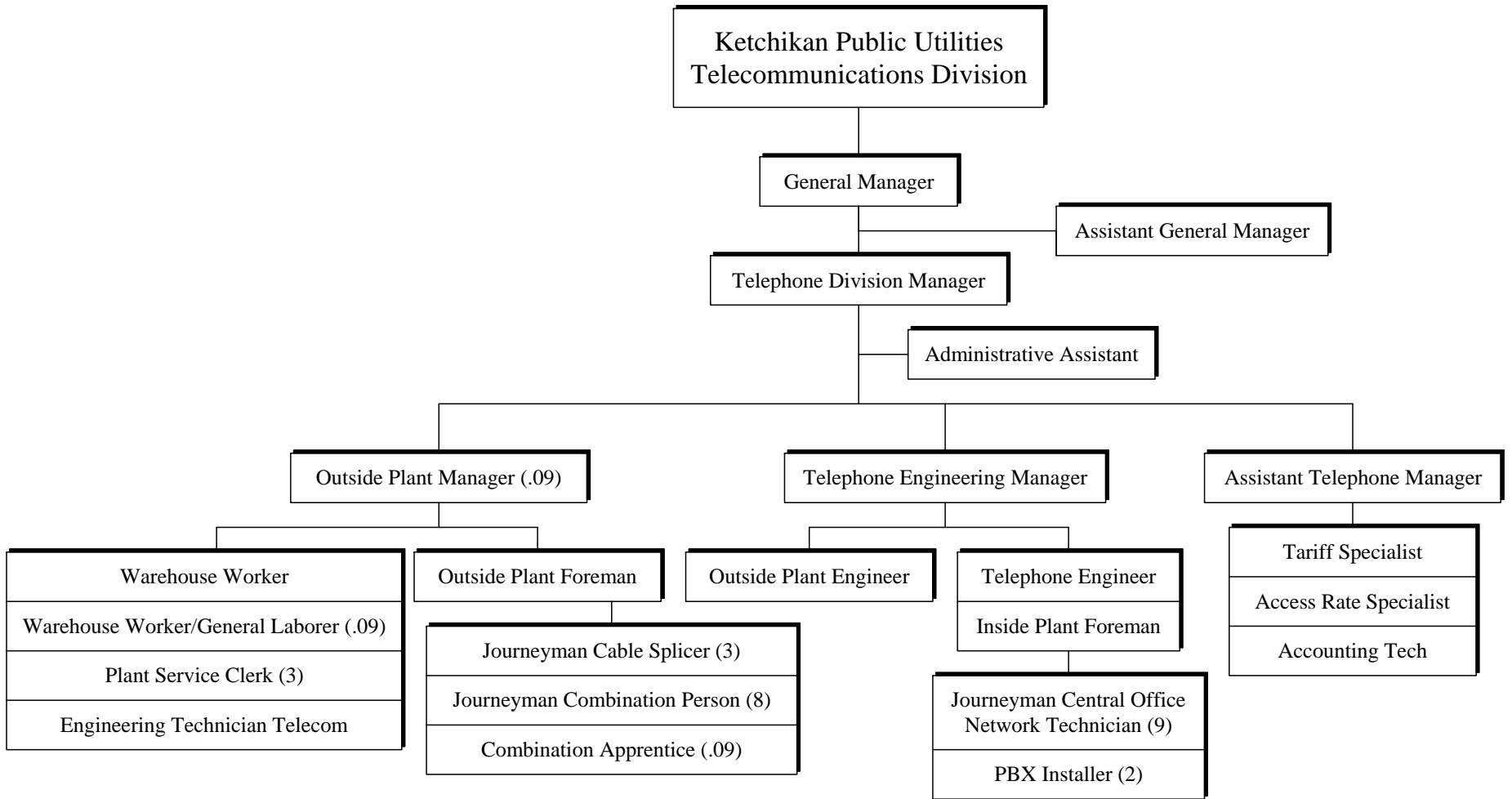
TELECOMMUNICATIONS

2010 EXPENDITURES



2010 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

MISSION STATEMENT

The Telecommunications Division is committed to providing high quality telecommunications products and services to residents and businesses of the City of Ketchikan and the Ketchikan Gateway Borough at competitive rates. Management and staff strive to maintain quality customer service and competitive pricing, while concurrently working to maximize the Utility's value to its owner, the City of Ketchikan. The Telecommunications Division will continue to introduce new cost effective technologies that will aid in the community's economic revitalization. The division stands ready to assist its customers as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council.

ACCOMPLISHMENTS IN 2009

In 2009, the Telecommunications Division continued positioning itself to meet competition:

- In 2009, KPU established a new Sales, Marketing & Customer Service Division to manage all sales and marketing activity and customer service for the Utility as a whole. This division was formed using Telecommunications Division personnel.
- The Telecommunications Division deployed 42 channels of High Definition TV and increased the number of High Definition channels to 65 during 2009.
- Seven Pay-Per-View movie and event channels were added to the CommVision lineup to augment KPU's Video On-Demand offering.
- The Telecommunications Division completed its negotiations with GCI and AT&T for purchase of additional bandwidth. KPU signed a three-year agreement with GCI in October 2008 and, as a result, the Utility essentially doubled its Internet bandwidth availability for customers.
- The Telecommunications Division continued its deployment of Fiber to the Curb (FTTC) network architecture that will enable KPU to move forward in offering new services that require an ever-expanding amount of bandwidth to the home. In 2008, the first year's fiber deployments were targeted to areas where existing copper facilities were problematic due to long loops. During 2009, fiber deployment was strategically targeted to high-density residential areas that are mainly within the City limits.
- In 2009, the Telecommunications and Sales, Marketing & Customer Service Divisions increased the amount of local content being filmed and broadcast on CommVision's channels 80 through 90. The divisions also established channels 611 – 613 for subscriber

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

produced/subscriber provided videos. Because many high school and local art community events are broadcast on KPU local channels, this local content gives many segments of the community an additional reason why to choose KPU for their TV provider.

- The Telecommunications Division and newly formed Sales, Marketing & Customer Service Division continued the rollout of Hosted PBX business service in 2009. The service is provided by KPU's Broadsoft softswitch. Businesses within Ketchikan can now order a full suite of business PBX features and not have to purchase a resident PBX or electronic key system. The features are delivered to IP business telephones, which is the main equipment required at the subscriber's premises.
- KPU joined all other local exchange carriers in aggressively fighting GCI on a state intrastate access reform docket that is in its last stages of being adjudicated at the Regulatory Commission of Alaska. Depending on the outcome of the final ruling, in excess of \$1,000,000 in Telecommunications Division revenue could be at risk.

Detailed below is a summary of the major accomplishments achieved in 2009 by the Telecommunications Division.

Administration:

- In August 2009, the Telecommunications Division filed for a Stimulus Grant with RUS. The grant request is for a Citywide, dual system WIFI deployment. This project will provide a private, public safety WIFI system that is totally secure and can only be accessed by public safety entities. The same transmitter equipment will also provide ubiquitous WIFI throughout the City. If KPU is awarded the grant, the commercial WIFI will become another product in the Telecommunications Division's service offerings.
- The Telecommunications Division continued its successful Internet Protocol Television (IPTV) deployment to subscribers during 2009. Local content has shown steady improvement this year.
- The Telecommunications Division has tested its Long Distance product for the past year. A private line circuit has been installed from Seattle to Las Vegas, which is the hub of KPU's distributor. Management anticipates introducing this product commercially as soon as intrastate calling is improved.
- During 2009, AT&T and the Telecommunications Division were actively engaged in negotiations for renewal of the 30-year lease KPU has in place for the AT&T 17,000 sq. ft. complex located at 2970 Tongass Avenue. The current lease expires in November 2010. AT&T recently indicated the company intends to go forward with another long-term facility lease. One of the main issues being negotiated is AT&T's expectation that

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

KPU TELECOMMUNICATIONS

KPU should share in the cost of back-up generator equipment and feeder line replacement.

- The Telecommunications Division has continued its deployment of 700 MHz spectrum services for remote areas of Loring and Grant Island. KPU is working with a Loring based KPU subscriber to develop a communications relay site that would make it possible to reach a number of customers in the back Moser Bay area with Internet and telephone. The survey work and contract preparation is underway. Management believes that the 700 MHz technology will enable KPU to reach a number of remote users far more economically than was previously possible. Three customers are on or near Grant Island and one customer is in Loring. KPU will slowly continue building this wireless network to benefit remote pockets of customers in the Moser Bay and Loring areas.
- In early 2009, the Telecommunications Division upgraded its Taqua T7000 softswitch with the next generation packet interface cards. These new cards add to the stability of the softswitch platform. GCI uses the exact same switching platform throughout the state.
- The Telecommunications Division filed an off year Intrastate Access Charge Revenue Requirement in late 2008. This filing was made so that significant investments made in 2008, which impact the amount of access revenues that KPU will receive in future years (beginning in April 2009), could be realized sooner.
- The Telecommunications Division retooled its WIFI customer user interface. In addition, new generation transmitters have been installed that support the feature set of the new user-friendly software. In 2009, KPU continued to expand WIFI availability to key venues within the City.
- In 2009, the Telecommunications Division filled six essential management positions: Telecommunications Engineering Manager, Telecommunications Inside Plant Engineer, Telecommunications Outside Plant Engineer, Senior Sales & Marketing Division Manager and two Marketing Manager positions.
- The Telecommunications Division contracted for the re-build of its fire protection system, which protects the Central Office.
- Worked with AT&T on a total renewal of the uninterruptible power system serving the Telecommunications Division's Central Office.

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

Plant, Engineering and Central Office:

- The construction crew has installed fiber optic cross connect cabinets in the following neighborhoods: Mecca, Rhea Road, Mattle Road, Saxman, Forest Park, Baranof Avenue and Alaska Avenue. The construction crew also opened conduit paths in preparation for the Fiber to the Home contract construction crews.

- The construction crew and the cable splicers completed the following fiber optic projects:
 - Fiber optic cables in Saxman.
 - Fiber optic cable to the warehouse.
 - Fiber optic cables along Roosevelt Drive and the Ravenwood subdivision.
 - Fiber optic cables were placed on Cranberry and South Pt. Higgins Roads.
 - Fiber optic cables were placed along North Tongass Highway in the Wildwood neighborhood.

- The construction crew and the cable splicers completed the following building entrance cable projects:
 - Fiber optic and copper cable to the Borough offices at White Cliff.
 - Fiber optic cable to a new First Bank building.
 - Copper cable to a GCI cell tower.
 - Copper cable to new facilities at the airport.

- The Telecommunications Division let a contract for placement of fiber cable for its Fiber to the Home project. 205,000 feet of cable was placed in 2009 under this contract. The areas covered included the following:
 - Martin, Tower Rd. and Denali Avenue Area
 - Jackson Street Area
 - Forest, Park, Grant and Pine Street Area
 - Madison Street Area
 - Shoup, Forest Park, and Saxman Area

- A procedure was developed to prioritize Fiber to the Home (FTTH) cut-overs. Where available, all customers requesting the High Definition package are cut over to fiber. Also customers with high numbers of trouble tickets are being cut over.

- An aerial lift truck was tooled up for the FTTH installations. The truck has been stocked with all of the necessary tools to complete FTTH installations efficiently.

- Two new vehicles were purchased: a van to replace the 13 year old warehouse van and an aerial lift truck to replace a 10 year old lift truck.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
KPU TELECOMMUNICATIONS**

- The Outside Plant crew attended several training classes in order to keep their skills and knowledge at a peak level. These training opportunities included a traffic control certification class given by the State of Alaska, a National Electrical Code class that covered low voltage communications applications and fiber optic training.
- Outside plant personnel assisted with the switch cutover at the City Hall equipment office (K71) and assisted removing decommissioned cables in the Central Office.
- The cable splicers added additional bandwidth to the circuits that feed Pennock Island.
- A joint RFP between the Electric and Telecommunications Divisions was written to contract for tree trimming. The contractor is currently trimming the lines for clearance for both telecommunications and electric cables and lines.
- The Plant Clerks and Customer Service Representatives have cross-trained in each other's areas. It is very helpful for all concerned to see what has to happen to complete service orders.
- The Plant Clerks developed a manual for service order comments in an attempt to standardize on formatting and acronyms so that service orders can be worked more efficiently and accurately.
- The warehouse implemented a bar-coding system.

GOALS AND OBJECTIVES FOR 2010

KPU Telecommunications operates in a dynamic business environment with technical, regulatory, legal and competitive factors playing a complex role in determining the success of the Utility. Although the Telecommunications Division operates in a competitive marketplace, revenues generated by the Utility are used to benefit the ratepayers of the community and Ketchikan Public Utilities as a whole. To that end, the focus of the division has been that the financial resources of the Utility must be directed in a manner that enhances not only the services offered to the community, but maximizes KPU's return on investment. In this context the division's goal for 2010 is to continue to enhance KPU's product offering by marketing to consumers the new technology that was installed over the last thirty-six months: IPTV, Fiber to the Home, Personal Video Recorders, Hosted PBX, hyper-speed Broadband Internet, WIFI Hot Spot Internet, 700 MHz fixed wireless Internet/voice, high speed SDSL over copper and long distance. KPU Telecommunications will continue its efforts to develop new, state-of-the-art telecommunications services in order to assist Ketchikan in becoming a regionally competitive economic center.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

KPU TELECOMMUNICATIONS

The Telecommunication Division's principal projects for 2010 will be the continuation (year three) of a five-year fiber to the curb/home project that will keep KPU competitive. KPU will also strive to gain market share for its new Triple Play products by adding a number of High Definition IPTV channels, and by providing IPTV subscribers with a state-of-the-art personal video recorder. The establishment of Total Voice interexchange (long distance) phone service, continued expansion of its 700 MHz technology footprint to provide remote Internet and dial tone, and enhancement and augmentation of the division's fiber distribution system will be actively pursued. Continued focus on finding competitive alternative for Internet bandwidth supply is needed even though KPU has two years remaining on a contract with GCI for lease of bandwidth on their undersea fiber ring project that became operational in 2008. Finally, KPU will continue with automation of its service order and provisioning systems for the new softswitch switching platform and video distribution subsystems.

Outlined below are specific section goals and objectives that will serve as a foundation for further division accomplishments in 2010.

Administration:

- In 2006, KPU won the FCC auction for AWS 1700 MHz PCS/Cellular spectrum for Southeast Alaska. This spectrum, as of 2009, can now be used to provide PCS/Cellular service. T-Mobile, MetroPCS, and Cricket are three companies currently providing nationwide service using the AWS spectrum. Three handset (cell phones) manufacturers have 3G phones that work on the AWS band. KPU needs to conduct a full-fledged study to determine if KPU, as the 4th entrant in the Ketchikan cellular market, can achieve sufficient penetration and market share in order for this project to be considered as a viable business endeavor.
- In 2008, KPU funded an engineering study to assess the engineering feasibility of building an 87-mile microwave to Prince Rupert. The results of this study indicated that the high capacity microwave system, at a cost of \$1.5 - \$2.0 million, can be built to carrier standards and is engineering feasible. By the end of 2010, KPU has to have completed its negotiations for a second 3-year Internet bandwidth contract with GCI, in order to avoid having to build the microwave facilities during the summer of 2011 to achieve the lowest cost bandwidth.
- Fill the remaining Central Office Network Technician positions.
- Monitor and address the impacts of the additional external bandwidth available to the community with the new fiber connectivity.
- Continue with current efforts to preserve the rights of KPU Telecommunications and its owners through the Telecommunications Act of 1996.

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

- Complete negotiations for a long-term lease of the AT&T Alascom complex.
- Continue with limited and targeted deployment of the division's 700 MHz fixed data/voice network for remote subscribers.
- Continue the focus on bundling KPU's services with the addition of Total Voice interexchange (long distance) phone service.
- Continue the Telecommunication Division's endeavors to fully automate the service order procedures for voice, video and Internet.
- It is anticipated that in 2010 regulatory issues will continue to have significant impacts on the future operating environment for the Telecommunications Division. In this context, division staff will undertake the following efforts:
 - Minimize the revenue shortfall due to the exit from the Alaska Exchange Carriers (AECA) pool.
 - Continue participation in the rulemaking docket R-08-03 regarding Modifying Alaska Access Charge Policies. This docket is critical in preserving the maximum amount of state access revenues.
 - Stay abreast of changes in the Interstate Jurisdiction where the Universal Service Fund (USF) and Intercarrier compensation reform are still active industry issues that may have a significant effect on the operation of the Utility.
 - Maintain a presence on the NECA Rate Development Task Force, which is on the forefront of new service offerings such as naked DSL, which may allow a competitive Internet or television only service.

Plant, Engineering and Central Office:

The Telecommunications Division's Plant, Engineering and Central Office sections will continue to build and deploy advanced technology via a wireline, optical and wireless service network that provides modern, state of the art telecommunications services in a cost-effective manner. This objective will be accomplished by undertaking the following activities:

- Engineering and Central Office will retire it's legacy Nortel DMS 100 Switch.
- Efficiently install video services in order to be cost effective and to keep up with demand. Automate simple service orders to give "same day service" wherever possible.

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

- Use state-of-the-art technology to improve the network, making the division's services more cost effective and more reliable.
- Engineering will evaluate and improve the TriplePlay home installation procedures to reduce costs.
- Engineering will continue to search for a better trouble ticket system.
- Continue an aggressive training schedule so that KPU personnel have the tools necessary to maintain advanced telecommunications equipment.
- Build a state of the art WIFI system that will be used by public safety, the utilities and the public.

BUDGET NARRATIVE

Salaries and Wages (Account 11): \$2,905,139 – This account provides for the annual wages of the employees of the Telecommunications Division. The decrease to the current year's original appropriation is attributable to the transfer of the Sales, Marketing and Customer Service Manager, the Marketing Managers and the IPTV Content Specialist/Marketing Representative to the Sales, Marketing and Customer Service Division and the one month funding rather than an entire year for the Plant Manager, Apprentice and Warehouse Worker/General Laborer positions.

Overtime (Account 12): \$204,000 - This account provides for the cost of all premium compensation for non-exempt Telecommunications Division employees to accommodate call outs, emergencies and spikes in the work load for all departments. A \$120,000 decrease to the current year's amended appropriation has been proposed.

Temporary Salaries (Account 14): \$47,250 - This account provides for the cost of funding the employment of temporary employees that are hired by the division during peak workload conditions or to assist in special projects. Other temporary positions include tree trimmers and flaggers for various projects. An \$84,750 decrease to the current year's amended appropriation has been proposed.

Employee Benefit Costs (Account 16): \$1,530,900 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation, and sick leave benefits of employees of the Telecommunications Division.

Expense Allowance (Account 25): \$13,750 - This account provides funding of reimbursements for personal use of equipment and vehicles, mileage allowance, job-related meals and incidentals not related to travel and training. This item also incorporates travel expenses for potential job candidates as well as moving expenses for new hires. A \$12,000 decrease to the current year's original appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
KPU TELECOMMUNICATIONS**

Medical Exams (Account 26): \$2,125 - This account provides for funding the cost of medical examinations for division employees who are covered by the collective bargaining agreement between Ketchikan Public Utilities and the International Brotherhood of Electrical Workers, Local 1547. The requested funding is also intended to cover the cost of medical exams for new, temporary and regular employees. A \$150 decrease to the current year's appropriation has been proposed.

Travel (Account 27): \$45,000 - This account provides for the cost of travel expenses associated with business-related activities of the Telecommunications Division. As a result of the changing technology, as well as regulatory and competitive issues within the telecommunications industry, the division needs to be present at important industry meetings and workshops to participate in actions that affect its well being. A \$13,000 decrease to the current year's original appropriation has been proposed.

Clothing Allowance (Account 28): \$3,050 - This account provides for the cost of an annual clothing allowance to each employee of the division who is a member of the IBEW, Local 1547. The Utility is required to provide \$210 per qualified employee, per year, for work clothing. A \$630 decrease to the current year's appropriation has been proposed.

Books & Library Materials (Account 30): \$2,400 - This account provides for the cost of technical books and reference publications related to the telecommunications industry. A \$400 increase above the current year's appropriation has been proposed.

Department Supplies (Account 32): \$2,500 - This account provides funding for the purchase of department supplies that do not meet the criteria of office supplies. The majority of this expense is for printed materials. A \$49,160 decrease to the current year's appropriation has been proposed.

Heating Fuel (Account 33): \$7,837 - This account provides for the cost of heating the warehouse and garage. A \$1,663 decrease to the current year's appropriation has been proposed.

Janitorial Supplies (Account 36): \$3,500 - This account provides for the cost of janitorial supplies utilized by the Telecommunications Division during the course of the year. A \$600 decrease to the current year's appropriation has been proposed.

Maintenance Materials (Account 37): \$1,000 - This account provides for the cost of materials and supplies purchased by the division to maintain the leased space in the AT&T Building and at two remote sites, North Point Higgins and Mountain Point. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

KPU TELECOMMUNICATIONS

Motor Fuels and Lubricants (Account 38): \$35,000 - This account provides for the purchase of all motor fuels and lubricants used by the division during the course of a year. A \$2,000 decrease to the current year's appropriation has been proposed.

Office Supplies (Account 39): \$17,400 - This account provides for the cost of expendable office supplies used by the division during the course of a year. No increase above the current year's amended appropriation has been proposed.

Small Tools and Equipment (Account 40): \$31,400 - This account provides for the purchase and/or replacement of small tools and equipment used by the division during the course of the year. No increase above the current year's appropriation has been proposed.

Education & Training (Account 41): \$46,750 - This account provides for academic training, in conjunction with training provided by the various equipment manufacturers, that provides the division with a highly skilled and productive workforce that will handle the switching, transmission, and network administration of KPU's new state-of-the-art network. A \$9,750 decrease to the current year's original appropriation has been proposed.

Engineering Supplies (Account 45): \$800 - This account provides for the cost of specialized office supplies used specifically for engineering purposes. No increase above the current year's appropriation has been proposed.

Safety Program Expenses (Account 46): \$10,900 - This account provides funding for the Telecommunications Division safety program, safety equipment, traffic cones, caution signs and safety presentations. No increase above the current year's appropriation has been proposed.

Advertising & Publishing (Account 50): \$62,370 - This account provides for the cost of classified advertising, public information, advertising for bids and contracts, advertising for job openings, directory yellow pages advertising, Telecommunications Division newsletters, etc. A \$120,104 decrease to the current year's original appropriation has been proposed.

Contractual Services (Account 53): \$405,000 - This account provides for the cost of contracted services such as local directory assistance; contract engineering services, IPLD termination access charges, SS7 (Signaling System 7) links and database charges; janitorial services; brushing and tree trimming; surveillance and trouble call services provided by the Electric Division and other specialized contracted services that fall outside the scope of current division capabilities. A \$173,000 decrease to the current year's appropriation has been proposed.

Dues & Publications (Account 54): \$41,900 - This account provides for the cost of various publications and trade manuals, including engineering magazines, subscribed to by the Telecommunications Division. More than 75 percent of this account is for membership dues to the Alaska Telecommunications Association and OPASTCO (Organization for the Promotion

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

KPU TELECOMMUNICATIONS

and Advancement of Small Telecommunication Companies), which are industry organizations that pool industry resources to influence regulations and legislative actions. Another membership is in the cable TV co-op, NTCA (National Telephone Cooperative Association), which provides the division its television content. The publications consist of labor related publications, technical manuals, telecommunications code standards and industry related periodicals, etc. An \$8,000 increase above the current year's amended appropriation has been proposed.

Maintenance Services (Account 58): \$4,800 - This account provides for the cost of equipment maintenance and service contracts for miscellaneous equipment. A \$1,000 increase above the current year's appropriation has been proposed.

Postage (Account 59): \$25,000 - This account provides for the cost of mailing division correspondence, packages and special/express mail during the course of the year. A \$4,650 increase above the current year's amended appropriation has been proposed.

Professional Services (Account 60): \$496,550 - This account provides for the cost of professional consulting firms that undertake engineering, financial, legal and telecommunications services on the division's behalf. Additionally, this account includes the cost of technical assistance for switching and IP networks. Annually, the division is required to submit toll separations studies, which require the assistance of cost consultants. KPU is also part of the Rural Coalition, a conglomerate of rural Alaska LEC's (Local Exchange Carriers) that promotes industry interests in front of the Regulatory Commission of Alaska. A \$258,400 decrease to the current year's amended appropriation has been proposed.

Rentals - Equipment (Account 61): \$1,453,100 - This account provides for the cost of leasing transmission facilities and Internet backbone connectivity that the Telecommunications Division uses for its Internet Services. The division has scheduled an increase in the amount of bandwidth in 2010 to keep pace with customer demand. This account also provides for National Exchange Carrier Association (NECA) tariff charges for DSL and IPTV. Since the division anticipates growth in these services, the costs escalate with the increased demand. Also included in this account is the pole attachment rent that the Telecommunications Division pays to the Electric Division. A \$131,020 increase above the current year's appropriation has been proposed.

Rentals - Space (Account 62): \$88,700 - This account provides for the cost of leased space in the AT&T Alascom building for the Central Office, Plant, Engineering, Marketing and Administrative offices. A \$44 increase above the current year's appropriation has been proposed.

Telecommunications Service (Account 63): \$179,800 - This account provides funding for cell phones, local, long-distance, foreign exchange (FX) lines, payphone local access lines, etc. A \$2,000 decrease to the current year's amended appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES 2010 ANNUAL BUDGET KPU TELECOMMUNICATIONS

Utilities (Account 65): \$140,400 - This account provides for the cost of all electricity, water, sewer, and garbage services utilized by the division. A \$12,400 increase above the current year's appropriation has been proposed.

Licenses and Fees (Account 68): \$643,000 - This account provides for the cost of a variety of licenses and fees including Interstate TRS Telecommunications for the hearing impaired, FCC mandated contributions to the Universal Service Fund and miscellaneous regulatory fees as mandated by governmental agencies. The provision of video service requires that KPU CommVision purchase content for customers to view. The division has projected an increase in IPTV customers. Much of the projected increase in this account is due to the increased content costs, which are paid on a per customer basis. The addition of the Pay Per View service has increased the amount in this account since it is also tied to customer demand for the service. Software licensing associated with the new video equipment will also have to be purchased. A \$105,750 increase above the current year's appropriation has been proposed.

Software Maintenance and Upgrades (Account 75): \$115,000 - This account provides funding for the annual maintenance cost of the billing, administrative, line assignment, and service order systems, and for the development of industry standard changes that KPU as a software licensee is required to pay. No increase above the current year's original appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$36,000 - This account provides for the cost of maintaining the Telecommunications Division's vehicles and motorized equipment. No increase above the current year's amended appropriation has been proposed.

Materials & Services (Account 89): \$423,650 - This account provides for the cost of all materials and services required by the division to operate during the course of the year. A \$67,150 decrease to the current year's amended appropriation has been proposed.

Office Equipment & Furniture (Account 90): \$9,000 - This account provides for the cost of office equipment and furniture purchases that the division incurs during the course of the year. With the restructuring of the Engineering Department, the division needs to make some furniture purchases to accommodate additional staffing. A \$6,500 increase above the current year's appropriation has been proposed.

Operating Equipment (Account 93): \$30,000 - This account provides for the cost of capital equipment acquisition, which is not accounted for in the Vehicle and Moving Equipment account. The proposed appropriation is for acquisition of equipment used by technicians to splice ribbon fiber, test, repair and build high-speed data and voice circuits. A \$27,500 decrease to the current year's appropriation has been proposed.

Capital Projects (Account 94): \$2,167,875 - This account provides for the cost of approved capital projects programmed in 2010. The capital projects proposed are further detailed in the

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
KPU TELECOMMUNICATIONS**

Capital Improvement Program. A \$565,825 decrease to the current year's appropriation has been proposed.

Personal Computer Hardware and Software (Account 97): \$42,700 - This account provides for the purchase of various hardware and software required for ongoing operations of the division, including any upgrading of computer equipment. A \$12,700 increase above the current year's amended appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 572 Telecommunications

Function: 072 Telecommunications

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	2,473,412	2,541,579	3,252,682	2,740,256	2,740,256	2,905,139
12 Overtime	231,034	234,970	135,000	324,000	324,000	204,000
14 Temporary Salaries	80,344	102,650	87,000	132,000	132,000	47,250
16 Employee Benefits	1,331,107	1,366,706	1,726,000	1,581,135	1,581,135	1,530,900
25 Expense Allowance	8,844	5,192	25,750	35,250	35,000	13,750
26 Medical Exams	3,036	(355)	2,275	2,275	500	2,125
27 Travel	41,059	56,611	58,000	55,000	55,000	45,000
28 Clothing Allowance	3,994	4,200	3,680	3,680	3,680	3,050
30 Books & Library Material	2,174	443	2,000	2,000	2,000	2,400
32 Department Supplies	29,143	3,673	51,660	2,500	2,500	2,500
33 Heating Fuel	6,087	6,409	9,500	9,500	9,500	7,837
36 Janitorial Supplies	3,499	3,018	4,100	4,100	4,100	3,500
37 Maintenance Materials	749	740	1,000	1,000	1,000	1,000
38 Motor Fuel & Lubricants	36,101	42,578	37,000	37,000	30,000	35,000
39 Office Supplies	24,502	20,504	23,900	17,400	17,400	17,400
40 Small Tools & Equipment	24,474	29,586	31,400	31,400	31,400	31,400
41 Education & Training	37,314	36,793	56,500	53,000	46,750	46,750
45 Engineering Supplies	229		800	800	800	800
46 Safety Program	10,103	14,918	10,900	10,900	10,900	10,900
50 Advertising & Publishing	156,020	188,143	182,474	110,650	110,650	62,370
51 Community Promotion	1,120	3,000	6,000			
53 Contractual Services	503,744	437,433	578,000	578,000	578,000	405,000
54 Dues & Publications	32,947	32,785	35,300	33,900	33,900	41,900
58 Maintenance Services	11,296	3,530	3,800	3,800	3,800	4,800
59 Postage	17,600	22,794	33,500	20,350	20,350	25,000
60 Professional Services	584,047	617,043	694,950	754,950	754,950	496,550
61 Rentals - Equipment	1,020,152	1,009,416	1,322,080	1,290,280	1,277,952	1,453,100
62 Rentals - Space	99,467	71,247	88,656	88,656	88,656	88,700
63 Telecommunication Services	198,003	168,434	192,200	181,800	181,800	179,800
65 Utilities	138,728	181,653	128,000	140,000	140,000	140,400
68 Licenses & Fees	387,233	523,308	537,250	537,250	537,250	643,000
75 Information Technology	103,205	111,347	115,000	103,000	103,000	115,000
87 Vehicle O & M	24,156	42,265	28,000	36,000	36,000	36,000
89 Materials & Services	523,411	428,693	494,800	490,800	450,000	423,650
90 Office Equipment & Furniture		8,719	2,500	2,500	2,500	9,000
92 Vehicles & Moving Equipment	16,328		200,000	179,000	179,000	
93 Operating Equipment	76,142	51,039	57,500	57,500	57,500	30,000
94 Capital Projects	1,485,037	2,997,266	2,733,700	2,733,700	2,615,000	2,167,875
97 PC Hardware & Software	46,497	39,091	17,700	30,000	30,000	42,700
Division Total	9,772,338	11,407,421	12,970,557	12,415,332	12,228,229	11,275,546

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 572 Telecommunications

Function: 072 Telecommunications

DETAIL OF PERSONNEL SERVICES

Job Classification	2007 Actual	2008 Actual	2009		2010	
			Adopted	Amended	Number	Salary
EXECUTIVE & PLANNING						
Telecommunications Divisions Mgr	1.00	1.00	1.00	1.00	1.00	124,225
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	41,029
GENERAL & ADMINISTRATIVE						
Asst Telecommunications Mgr	1.00	1.00	1.00	1.00	1.00	93,719
Tariff Specialist	1.00	1.00	1.00	1.00	1.00	47,481
Access Rate Specialist	1.00	1.00	1.00	1.00	1.00	45,351
Accounting Technician-KPU	1.00	1.00	1.00	1.00	1.00	44,286
ENGINEERING SERVICES						
Telecom Engineering Mgr			1.00	1.00	1.00	94,677
Telecom Engineer	2.00	2.00	1.00	1.00	1.00	94,677
Outside Plant Engineer			1.00	1.00	1.00	75,016
Engineering Tech-Telecom	1.00	1.00	1.00	1.00	1.00	51,777
MARKETING AND SALES						
Sales and Marketing Director		1.00	1.00			
Marketing Manager	1.00	1.00	1.00			
Secretary II/Business Sales Specialist	1.00	1.00	1.00			
IPTV Content Spec/Marketing Rep	1.00	1.00	1.00			
PLANT SPECIFIC						
Outside Plant Foreman	1.00	1.00	1.00	1.00	1.00	82,747
Journeyman Cable Splicer	2.00	2.00	2.00	2.00	3.00	233,570
Journeyman Combination Tech	9.00	9.00	9.00	9.00	8.00	592,432
Apprentice-Telecom	3.00	3.00	1.00	1.00	0.09	5,478
Inside Plant Foreman	1.00	1.00	1.00	1.00	1.00	80,284
Journeyman CO Network Tech	10.00	10.00	9.00	9.00	9.00	790,447
Data Technician						
PLANT NON-SPECIFIC						
Telecom Plant Manager	1.00	1.00	1.00	1.00	0.09	8,111
Testboard Person						
Plant Service Clerk	1.00	3.00	3.00	3.00	3.00	173,334
Asst. Plant Clerk/CADD	2.00					
Warehouse Worker	1.00	1.00	1.00	1.00	1.00	65,835
Warehouse Worker/General Laborer		1.00	1.00	1.00	0.09	4,925
NON-REGULATED						
Journeyman PBX Installer/Repair Tech	2.00	2.00	2.00	2.00	2.00	155,737
TOTAL	45.00	47.00	45.00	41.00	38.27	2,905,139

Effective May 7, 2009 the Marketing and Sales positions were combined with Customer Service and a new Sales, Marketing and Customer Service Division was established by the City Council. The 2007 and 2008 actual columns have not been adjusted to reflect this consolidation.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various
Department: 572 Telecommunications

Function: 072 Telecommunications

2010 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2010 Budget	Salaries & Wages			Employee Benefits 16	Travel & Training 27	Motor Vehicles 92	Operating Equipment 93	PC Hardware 97	Account 94	
			11	12							Contractual Services	Materials & Supplies
<u>Normal Growth and Repair</u>												
Central Office Switching	E-2	40,000	2,040		960							37,000
Copper Cable	E-3	25,000	9,520		4,480							11,000
Fiber Cable	E-4	200,000	56,230	2,250	27,520							114,000
Central Office Transmission	E-5	365,000	33,230	4,000	17,520							310,250
Wireless	E-6	25,000	2,125		1,000							21,875
Provisioning	E-7	150,000									150,000	
<u>Construction Capital</u>												
Fiber to the Home	E-8	1,000,000	34,750	16,250	24,000						600,000	325,000
Remote Cabinets for Advances Svcs	E-9	50,000	3,400		1,600							45,000
Pennock Island Transport	E-12	250,000	1,700		800						247,500	
<u>Capital Equipment Budget</u>												
Operating Equipment	E-10	30,000						30,000				
PC Hardware & Software	E-11	40,000							40,000			
<u>Non Regulated Capital</u>												
Headend Expansion	E-18	150,000	10,250	2,500	6,000							131,250
Video Set Top Boxes	E-19	125,000										125,000
3G Cellular Network	E-21	50,000									50,000	
		2,500,000	153,245	25,000	83,880			30,000	40,000	1,047,500	1,120,375	

Total Object 94 2,167,875

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Water 573

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	573 Water	1,120,564	1,266,099	1,556,671	1,556,671	1,452,485	1,596,277
	Total Operating	1,120,564	1,266,099	1,556,671	1,556,671	1,452,485	1,596,277
-	Capital						
	573 Water	1,871,068	5,709,264	1,396,800	1,396,800	1,237,173	6,912,750
		2,991,632	6,975,363	2,953,471	2,953,471	2,689,658	8,509,027

EXPENDITURE SUMMARY

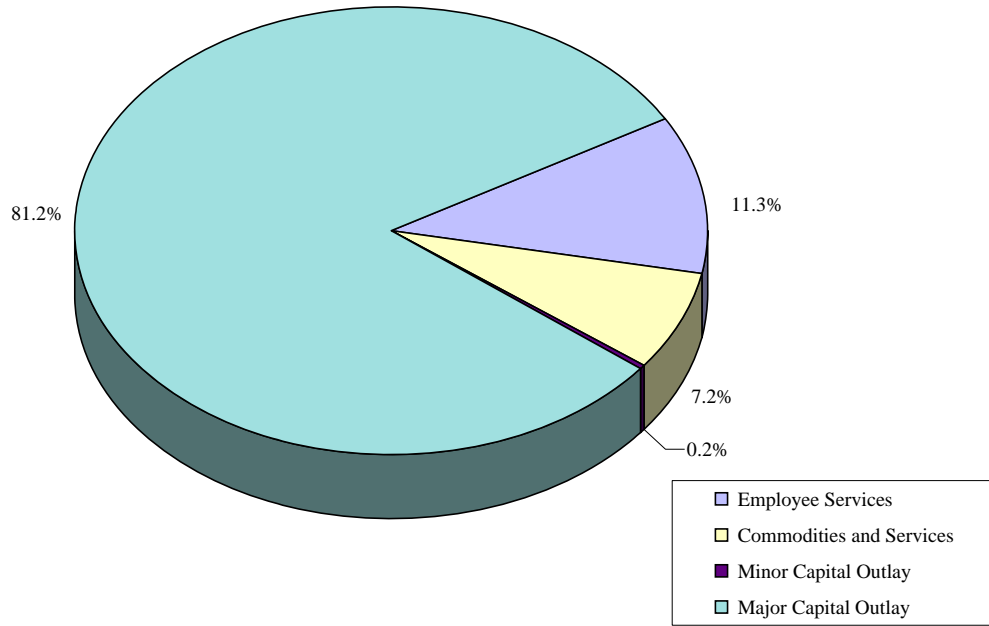
Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	750,557	796,306	901,261	901,261	855,500	963,082
Commodities and Services	365,178	453,881	634,410	633,610	575,685	612,195
Minor Capital Outlay	4,829	15,912	21,000	21,800	21,300	21,000
Total Operating	1,120,564	1,266,099	1,556,671	1,556,671	1,452,485	1,596,277
Capital						
Employee Services	39,232	6,798				
Commodities and Services	1,831,836	5,702,466	1,396,800	1,396,800	1,237,173	6,912,750
Total Capital	1,871,068	5,709,264	1,396,800	1,396,800	1,237,173	6,912,750
	2,991,632	6,975,363	2,953,471	2,953,471	2,689,658	8,509,027

PERSONNEL SUMMARY

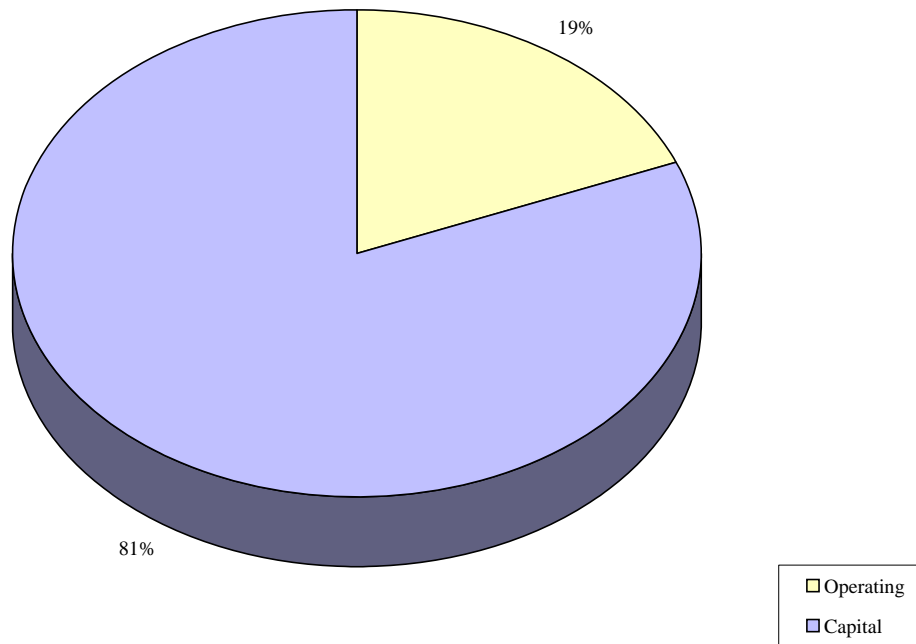
Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Water	7.50	7.50	7.50	7.50	7.50	8.50
		7.50	7.50	7.50	7.50	7.50	8.50

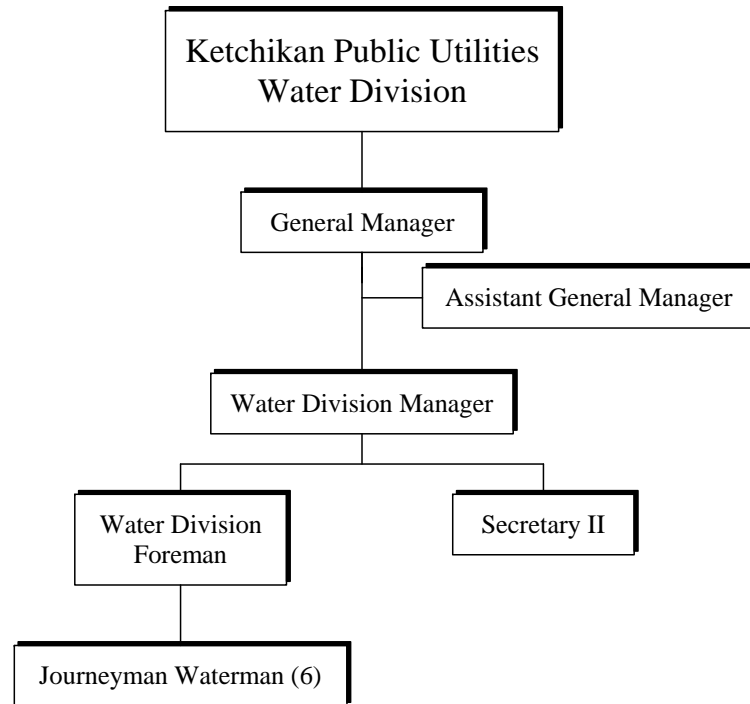
WATER

2010 EXPENDITURES



2010 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

WATER DIVISION

MISSION STATEMENT

The Water Division is committed to providing residents and businesses of Ketchikan with pure and safe potable water as may be required for residential, commercial and industrial purposes. In order to achieve this goal, the division is responsible for the maintenance and operation of more than 33 miles of distribution system within the municipality, several reservoirs and associated pump stations. Daily tasks of the Water Division include continuous monitoring and chemical testing to ensure water purity and quality at all times. The Water Division stands ready to assist its customers as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council.

ACCOMPLISHMENTS IN 2009

- Ensured compliance with EPA's Administrative Order (AO) that allows Ketchikan's municipal water system to remain unfiltered as long as the division can continue to meet all applicable criteria. Although Ketchikan has been able to meet all of the AO's requirements for the past 17 years, a new regulation adopted in 2005 has proven difficult to meet. The Alaska Department of Environmental Conservation (ADEC) has served Ketchikan formal notice of violation of the Long-Term 1 Disinfection By-Products Rule. The amount of haloacetic acids present in the municipal water system exceeds the EPA's maximum contaminant level and must be corrected in a timely manner. CH2M Hill has designed a facility that will use both ultraviolet light and ammonium hydroxide injection to reduce the amount of these disinfection by-products. The City Council awarded the construction contract to Southeast Engineering, Inc. in July 2009. Work is progressing with construction completion expected about January 30, 2010. At that time employees from the ultraviolet equipment vendor, Trojan Technologies, Inc., and CH2M Hill will begin startup commissioning and the entire facility should be fully operational by April 2010.
- As an unfiltered municipal water system, the division's watershed is very vulnerable to any source of contamination. This includes the lands surrounding Ketchikan Lakes, Granite Basin and the critical hub connecting these two sources, Fawn Lake. Since Fawn Lake is quite small and readily accessible to trespassers, it is now totally enclosed with chain link fencing. The division performed extensive patrolling of the area during the summer months to minimize unauthorized incursions.
- The division complied with EPA regulations requiring all community water systems to annually prepare a Consumer Confidence Report. These reports must contain information on the quality of the water delivered by the Utility's water system and characterize any risks from exposure to contaminants in an accurate and understandable manner. All other potable water analyses made on either a daily, weekly, monthly, quarterly or annual basis have also been completed and the analytical reports delivered to the regulatory bodies on time. Where

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

WATER DIVISION

quarterly analytical results for haloacetic acids exceeded the EPA regulations and were a violation, ratepayers were informed as required. Notices were mailed to our ratepayers and published in the Ketchikan Daily News.

- Designs were completed for two water and sewer replacement projects: the Alaska Avenue Water and Sewer Replacement Project and the Jackson Street Water and Sewer Replacement Project. Both of these projects are part of a multi-year program jointly developed by KPU and General Government to replace substandard, defective utilities simultaneously whenever possible
- A joint venture of R & M Engineering – Ketchikan, Inc., Southeast Engineering, Inc., and Peterson Structural Engineers, Inc. completed its design for the replacement of the Baranof Reservoir. Each of these firms brought their particular strengths to the overall project and, when combined together, produced an excellent design that has been reviewed and approved for construction by ADEC. The project received favorable recognition by the State for funding through a Group 2 American Recovery and Reinvestment Act (ARRA) Eligible Project with loan subsidy in the amount of \$1,223,924. This includes a principal forgiveness loan subsidy in the amount of \$1,101,532. Rated second highest by the State of all the projects on this list, the contract for the site development phase must be awarded and the construction contract signed before January 18, 2010. Funding continues to be sought for the construction of the reservoir itself though a combination of the 70% Municipal Matching Grants and/or Drinking Water Loans.
- At the City Council meeting of July 21, 2009, resolutions were approved requesting municipal assistance funding from the Alaska Department of Environmental Conservation (ADEC) for three Ketchikan projects: Baranof Reservoir Replacement – Construction; the Alaska Avenue Water and Sewer Replacement Project and the Jackson Street Water and Sewer Replacement project. The questionnaires for each of these projects have been evaluated and scored by ADEC for possible placement on the State’s Fiscal Year Project List under the Municipal Matching Grant Program. Each of these projects has scored quite well with the Baranof Reservoir Construction scoring the highest. Depending upon the amount of available funding that is approved by the Legislature and Governor in 2010, one or more of these projects may qualify for a 70% Municipal Matching Grant.

GOALS AND OBJECTIVES FOR 2010

- Continue construction of the UV & Chloramine Disinfection Facility. Complete the public education program about the effects of chloramine disinfection. With this information, KPU will be able to reframe the issues so that the public has a clear understanding of the technology used as well as knowledge of the health and safety issues.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
WATER DIVISION**

- In conjunction with the Public Works Department, begin designs of the water and sewer replacement projects identified in the 5-year Capital Improvement Program.
- Continue to address the issue of cast-iron water mains throughout the community, particularly those within Tongass Avenue.
- Continue to provide pure, safe water to the citizens of Ketchikan. This includes enforcement of the Utility's cross-connection program and requiring backflow preventers wherever the possibility of contamination exists.
- Identify source leaks and reduce the waste of water wherever possible.
- Continue to provide continuing education classes necessary for division employees to maintain their required certifications.
- Continue to take whatever actions are necessary for Ketchikan to comply with the latest amendments to the Safe Water Drinking Act while continuing to meet the requirements of the EPA's Administrative Order that allows Ketchikan to remain as an unfiltered system.

NARRATIVE

Salaries and Wages (Account 11): \$584,082 - This account provides for the cost of the annual wages of the employees of the Water Division. The \$63,821 increase above the current year's appropriation is attributable to the addition of one full-time Journeyman who will be the primary daily operator for the Ultraviolet Light (UV) Disinfection System.

Overtime (Account 12): \$40,000 - This account provides for the cost of overtime incurred by employees of the Water Division during the course of the year. No increase above the current year's appropriation has been proposed.

Employee Benefit Costs (Account 16): \$339,000 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation and sick leave benefits of employees of the Water Division.

Expense Allowance (Account 25): \$250 - This account provides for the cost of general expenses during the course of the year that are incurred by Water Division staff. No increase above the current year's appropriation has been proposed.

Medical Exams (Account 26): \$525 - This account provides for the cost of medical examinations of employees covered by the collective bargaining agreement between Ketchikan Public Utilities and the International Brotherhood of Electrical Workers, Local 1547. A \$75

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
WATER DIVISION**

increase above the current year's appropriation has been proposed to fund the medical exam of an additional Journeyman.

Travel (Account 27): \$2,500 - This account provides for the cost associated with business travel incurred by the division. No increase above the current year's appropriation has been proposed.

Clothing Allowance (Account 28): \$1,470 - This account provides for the cost of an annual clothing allowance to each Journeyman employee of the division who is a member of the IBEW, Local 1547. The Utility is required to provide \$210 per employee, per year, for work clothing. A \$510 increase above the current year's appropriation has been proposed.

Janitorial Supplies (Account 36): \$450 - This account provides for the cost of janitorial supplies utilized by the Water Division during the course of the year. No increase above the current year's appropriation has been proposed.

Motor Fuel & Lubricants (Account 38): \$13,000 - This account provides for the purchase of all fuels and lubricants used by the division during the course of a year. A \$3,800 decrease to the current year's appropriation has been proposed.

Office Supplies (Account 39): \$4,500 - This account provides for the purchase of expendable office supplies used by the division during the course of a year. No increase above the current year's appropriation has been proposed.

Small Tools and Equipment (Account 40): \$4,000 - This account provides for the purchase and/or replacement of small tools and equipment used by the division. No increase above the current year's appropriation has been proposed.

Education & Training (Account 41): \$9,000 - This account provides for the annual cost of EPA required training of Water Division personnel. Regulations mandate that staff maintain current distribution and treatment certifications through annual continuing education credits. Rather than send employees outside, it is more cost effective for the division to bring a qualified instructor to Ketchikan and conduct the class here. A \$6,000 decrease to the current year's appropriation has been proposed.

Safety Program (Account 46): \$3,500 - This account provides for the purchase of materials and supplies required to conduct an ongoing safety program for the Water Division. No increase above the current year's appropriation has been proposed.

Advertising & Publishing (Account 50): \$5,000 - This account provides for the cost of all division related advertising and communications with the Utility's customers. The Safe Water Drinking Act as amended requires all public water systems to provide customers with annual consumer confidence reports explaining the contaminants that the Utility monitors for and any

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

WATER DIVISION

potential health implications. By implementing a public education program prior to switching to chloramines early in 2010, KPU will be able to reframe the issues so that the public has a clear understanding of the technology used as well as knowledge of the health and safety issues. The public education program will include mailings of informational brochures, flyers, bill inserts and public service announcements. A \$1,000 increase above the current year's original appropriation has been proposed.

Contractual Services (Account 53): \$75,000 - This account provides for the cost of contractual services utilized by the division. This includes independent laboratory testing of water samples and ADEC's annual inspection of the watershed and the entire disinfection system. Since Ketchikan's UV Disinfection Facility will be the first in the entire State of Alaska, ADEC will likely require additional water testing to confirm that the disinfection byproducts have been reduced and are now under control. Other items such as concrete and asphalt replacement are funded from this account. A \$15,000 increase above the current year's original appropriation has been proposed.

Dues & Publications (Account 54): \$2,000 - This account provides for the cost of annual subscriptions and fees to professional associations and technical journals subscribed to by the division. No increase above the current year's original appropriation has been proposed.

Maintenance Services (Account 58): \$1,000 - This account provides for the cost of routine and non-routine maintenance of the division's copier, fax machine and similar equipment. No increase above the current year's original appropriation has been proposed.

Postage (Account 59): \$6,000 - This account provides for the cost of mailing division correspondence, water samples for analysis by independent labs and the annual cost of mailing a consumer confidence report. The additional costs of chloramine public information mailings should be offset by the elimination of the quarterly haloacetic acid notices once the UV Disinfection Facility becomes fully operational. No increase above the current year's original appropriation has been proposed.

Professional Services (Account 60): \$90,000 - The majority of the funding request is related to the conversion to chloramine disinfection in early 2010 and its impacts on the community. Data being collected now for compliance with the EPA's latest Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 DBPR) has further implications to the community once the initial sampling period is completed in 2010. The results of each worst case monitoring location have to be averaged on its own rather than being averaged across the entire municipal water system. In addition, the EPA's Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) has additional microbiological pathogen deactivation requirements that the UV Disinfection Facility will address although there may be the need to confirm its effectiveness. A \$90,000 decrease to the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010 ANNUAL BUDGET

WATER DIVISION

Rentals - Equipment (Account 61): \$3,000 - This account provides funds to rent certain heavy construction items that are not cost-effective to purchase. It is cost-effective to rent rather than purchase seldom used equipment needed in water main reconstruction projects. No increase above the current year's original appropriation has been proposed.

Telecommunication Services (Account 63): \$22,000 - This account provides for the cost of all telephone charges. In addition to the telephones used by division staff, telephone lines are used to provide direct instrument communication links between the division's pump stations and reservoirs, operational SCADA interfaces supporting the new UV Disinfection Facility and alarms for all the pump stations and other facilities reporting through the SCADA system that is located at the Bailey Power House. A \$2,000 increase above current year's appropriation has been proposed.

Utilities (Account 65): \$134,000 - This account provides for the cost of all electricity, water, sewer and solid waste disposal services utilized by the division. A \$19,000 increase above the current year's appropriation has been proposed due to the significant amount of electrical power that will be required for ultraviolet light (UV) disinfection and to provide heat for the new facility.

Licenses & Fees (Account 68): \$1,000 - This account provides for the cost of vehicular licenses, operator certification fees and the ADEC plan review fees for new water construction projects. No increase above the current year's original appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$14,000 - This account provides for the cost of the division to maintain its vehicles and operating equipment and its share of operating the Electric Division's vehicle maintenance facility. No increase above the current year's original appropriation has been proposed.

Materials & Services (Account 89): \$220,000 - This account provides for the annual cost of operating materials and supplies necessary for division operations. Although prices of consumable supplies such as salt and soda ash have remained fairly stable, there will be additional costs due to changing the disinfection method from sodium hypochlorite (bleach) to chloramines that requires the addition of ammonium hydroxide. A phosphate inhibitor will also be added to form an additional barrier within copper residential piping to keep wastewater discharge copper levels within EPA limits. Spare parts and consumables for operating the UV Disinfection Facility will also be purchased. A \$40,000 increase above the current year's original appropriation has been proposed.

Office Equipment & Furniture (Account 90): \$1,000 - This account provides for the cost of replacement of miscellaneous office equipment in division operations. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
WATER DIVISION**

Operating Equipment (Account 93): \$4,000 - This account provides for the cost of operating equipment that is used in daily operations of the division as well as funding for small water meters. These are provided to contractors for installation during their construction of new commercial buildings. No increase above the current year's appropriation has been proposed.

Capital Projects (Account 94): \$6,912,750 - Detailed explanations of proposed future capital projects and the proposed funding sources appear in the 5-year Capital Improvement Budget. A \$5,543,450 increase above the current year's appropriation has been proposed.

PC Hardware & Software (Account 97): \$16,000 - This account provides for the acquisition of hardware and software required by the division in order to maintain its mapping and infrastructure management capabilities. No increase above the current year's original appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 573 Water

Function: 073 Water

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	449,478	462,085	520,261	520,261	502,300	584,082
12 Overtime	48,974	27,264	40,000	40,000	38,000	40,000
14 Temporary Salaries	14,548	25,889	40,000	40,000	34,000	
16 Employee Benefits	276,789	287,866	301,000	301,000	281,200	339,000
25 Expense Allowance	332	269	250	250	250	250
26 Medical Exams	75		450	450	75	525
27 Travel	1,265	2,781	2,500	2,500	2,300	2,500
28 Clothing Allowance	898	1,389	960	960	960	1,470
36 Janitorial	600	223	450	450	400	450
38 Motor Fuel & Lubricants	12,026	15,623	16,800	16,800	15,000	13,000
39 Office Supplies	2,241	3,124	4,500	4,500	3,200	4,500
40 Small Tools & Equipment	3,440	5,840	4,000	4,000	4,000	4,000
41 Education & Training	4,600	7,000	15,000	15,000	12,000	9,000
46 Safety Program	414	2,321	3,500	3,500	3,400	3,500
50 Advertising & Publishing	2,457	4,043	4,000	4,400	4,400	5,000
53 Contractual Services	47,931	62,764	60,000	60,000	54,000	75,000
54 Dues & Publications	2,704	2,415	2,000	3,200	3,200	2,000
58 Maintenance Services	450	592	1,000	1,300	1,300	1,000
59 Postage	3,646	5,658	6,000	6,700	6,700	6,000
60 Professional Services	22,062	21,540	180,000	180,000	148,000	90,000
61 Rentals - Equipment		858	3,000	3,300	3,300	3,000
63 Telecommunication Services	15,776	17,162	20,000	20,000	19,900	22,000
65 Utilities	98,721	113,097	115,000	115,000	108,000	134,000
68 Licenses & Fees	790	631	1,000	1,800	1,800	1,000
87 Vehicle O & M	5,609	10,144	14,000	15,500	15,500	14,000
89 Materials & Services	139,141	176,407	180,000	174,000	168,000	220,000
90 Office Equipment & Furniture	722	1,361	1,000	1,000	500	1,000
92 Vehicles & Moving Equipment	16,382		27,500	27,500	22,499	
93 Operating Equipment	215		4,000	4,000	4,000	4,000
94 Capital Projects	1,815,239	5,702,466	1,369,300	1,369,300	1,214,674	6,912,750
97 PC Hardware & Software	4,107	14,551	16,000	16,800	16,800	16,000
Division Total	2,991,632	6,975,363	2,953,471	2,953,471	2,689,658	8,509,027

DETAIL OF PERSONNEL SERVICES

Job Classification	2007	2008	2009		2010	
	Actual	Actual	Adopted	Amended	Number	Salary
Water Manager	1.00	1.00	1.00	1.00	1.00	101,957
Foreman	1.00	1.00	1.00	1.00	1.00	73,372
Journeyman Waterman	5.00	5.00	5.00	5.00	6.00	386,610
Water/Eng Secretary II	0.50	0.50	0.50	0.50	0.50	22,143
TOTAL	7.50	7.50	7.50	7.50	8.50	584,082

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various **Function:** 073 Water
Department: 573 Water

2010 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2010 Budget	Salaries & Wages 11	Employee Benefits 16	Travel & Training 27	Motor Vehicles 92	Operating Equipment 93	PC Hardware 97	Account 94	
									Contractual Services	Materials & Supplies
Office Remodel/Expansion	F-2	10,000							10,000	
Tongass Ave. Water & Sewer Impr. Phase II	F-3	3,767,750							3,767,750	
Baranof Reservoir Replacement Project	F-4	2,730,000							2,730,000	
Water Distribution Grid Improvements	F-5	60,000							15,000	45,000
Creek Street Water/ Sewer Improvements	F-6	65,000							65,000	
Additional Projects	F-7	40,000							5,000	35,000
Water Service Upgrade Program	F-8	30,000							30,000	
Backflow Prevention Program	F-9	10,000							10,000	
Project Management/Inspection Services	F-14	200,000							200,000	
		6,912,750							6,832,750	80,000
Total Object 94										6,912,750

L-11

**KETHIKAN PUBLIC UTILITIES
2010
DEPARTMENTAL SUMMARY**

Department: Other No: 550

DIVISION SUMMARY

Fund	Division	2007	2008	2009			2010
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	- Various	4,087,326	4,231,353	4,269,719	4,269,719	4,269,719	4,376,397
		4,087,326	4,231,353	4,269,719	4,269,719	4,269,719	4,376,397

EXPENDITURE SUMMARY

Expenditures	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
Commodities and Services	1,139,325	1,155,719	1,184,900	1,184,900	1,184,900	1,284,780
Debt Service	2,948,001	3,075,634	3,084,819	3,084,819	3,084,819	3,091,617
	4,087,326	4,231,353	4,269,719	4,269,719	4,269,719	4,376,397

**KETCHIKAN PUBLIC UTILITIES
2010 ANNUAL BUDGET
OTHER**

NARRATIVE

Other provides for expenditures, which benefit all divisions of Ketchikan Public Utilities or cannot be reasonably assigned directly to specific divisions.

Insurance and Claims (Account 55): \$556,780 - This account provides for the cost of property and liability insurance and payment of claims against Ketchikan Public Utilities. A \$46,880 increase to the current year's appropriation has been proposed.

Debt Service (Account 76): \$3,091,617 - This account provides for the payment of principal and interest on five municipal utility revenue bonds. A \$6,798 increase above the current year's appropriation has been proposed.

Payment In Lieu of Taxes (Account 79): \$728,000 - This account provides for the annual payment in lieu of taxes that is made to the City's General Fund. The payment is based on an estimate of the assessed value of the Utilities property located within the boundaries of the City of Ketchikan and the mill rate proposed to be levied on properties within the boundaries of the City. A \$53,000 increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2010

EXPENDITURES

Fund: 410 KPU Enterprise

Function: 050 Other

Division: 550 Other

Description	2007	2008	2009			2010
	Actual	Actual	Adopted	Amended	Estimate	Budget
55 Insurance and Claims	489,325	505,719	509,900	509,900	509,900	556,780
76 Debt Service	2,948,001	3,075,634	3,084,819	3,084,819	3,084,819	3,091,617
79 In Lieu of Taxes	650,000	650,000	675,000	675,000	675,000	728,000
Division Total	4,087,326	4,231,353	4,269,719	4,269,719	4,269,719	4,376,397