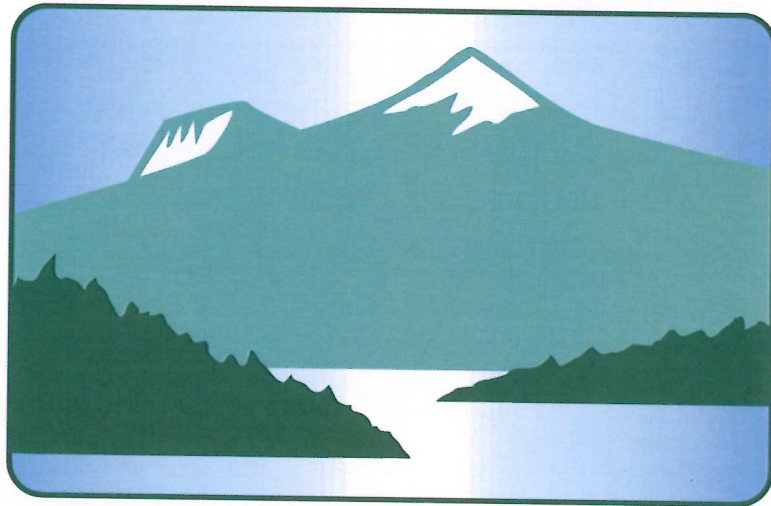


KETCHIKAN PUBLIC UTILITIES

K P U



Your Community, Your Utility

2011 ANNUAL BUDGET

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

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KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

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RESOLUTION NO. 10-2362

**A RESOLUTION ADOPTING THE BUDGET FOR THE YEAR 2011
APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR
THE FISCAL YEAR 2011; 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 2011, entitled KETCHIKAN PUBLIC UTILITIES 2011 ANNUAL BUDGET, is hereby adopted.

Section 2: That the sum of \$68,247,416 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, 2011:

<u>Item of Appropriation</u>	<u>Total</u>
1. Mayor and Council	421,977
2. Law	199,000
3. City Clerk	121,969
4. Human Resources	151,000
5. Finance-General Accounting	576,000
6. Finance-Office Services	199,000
7. Information Technology	647,000
8. Administration	679,052
9. Engineering	580,582
10. Sales, Marketing & Customer Service	2,030,649
11. Electric	29,606,557
12. Telephone	12,210,883
13. Water	11,722,427
14. Other	4,372,454
Subtotal	<u>63,518,550</u>
15. Appropriated Reserves	<u>4,728,866</u>
Total Appropriations	<u><u>\$68,247,416</u></u>

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

PASSED AND APPROVED this 16th day of December, 2011.


Lew Williams III, Mayor

ATTEST:


Katherine M. Suiter, City Clerk



November 4, 2010

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 2011 Proposed Budget (the “2011 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, 2010. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2011 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 2011 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 2011 General Government Budget. The table below lists key operating statistics for KPU for the

past five years.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of Electric Customers	7,202	7,251	7,305	7,346	7,365
Energy Sales - mWh	145,244	152,160	154,803	159,340	158,147
Telecommunications Access Lines	9,840	9,554	9,039	8,122	7,467
Water Customers	2,961	3,059	3,255	3,254	3,246

In 2009, the number of electric customers increased by .3 percent and energy sales decreased by .7 percent. The decrease in energy sales mostly likely occurred because of warmer weather. In general, the demand for energy has been increasing because of consumers converting from heating oil to electric heating. As long as the prices for heating fuel remain high, the expectation is that more consumers will convert. The number of telecommunications access lines declined by 8.1 percent in 2009. The number of access lines has been decreasing in recent years because of increased competition for local phone services.

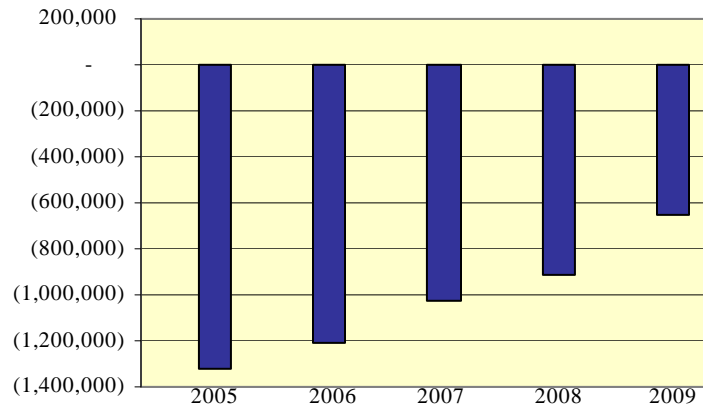
MAJOR BUDGET AND FISCAL ISSUES

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 2011. 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenues	1,606,918	1,756,103	1,949,748	2,065,198	2,322,050
Operating Expenses	2,585,863	2,655,822	2,739,228	2,785,806	2,772,717
Operating Income	<u>(978,945)</u>	<u>(899,719)</u>	<u>(789,480)</u>	<u>(720,608)</u>	<u>(450,667)</u>
Non-Operating Rev (Exp)					
Interest Expense	(356,529)	(331,084)	(303,898)	(272,511)	(241,079)
Other	11,906	23,403	67,875	78,800	43,245
	<u>(344,623)</u>	<u>(307,681)</u>	<u>(236,023)</u>	<u>(193,711)</u>	<u>(197,834)</u>
Net Income (Loss)	<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>	<u><u>(648,501)</u></u>

Water Division Net Losses 2005-2009



Significant progress has been made in reducing the water utility’s operating deficit. In 2005, the water utility reported a loss of \$1.32 million. Four years later, in 2009, the loss was reduced to \$648,501. This has been possible because of a series of rate increases adopted by the City Council as part of the effort to return the water utility to financial solvency. The following table provides a history of recent rate increases.

<u>Year</u>	<u>Amount of Rate Increase</u>
2004	2.50%
2006	10.00%
2007	5.00%
2008	1.75%
2009	11.40%
2010	15.00%

The rate increases have been timely. Not only are they reducing the water utility’s operating losses, they are also helping to prepare the water utility to take on the debt service that will be required for the bonds issued to improve the utility’s infrastructure and the expected increase in operating costs that will occur once the new UV treatment plant is placed in service.

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 2011 KPU Budget.

Sale of the Telecommunications Division: The proposed 2011 KPU Budget assumes a full year funding for the operations of the Telecommunications Division. If a sale of the Division takes place in 2011, the spending plan will have to be modified accordingly. The modifications will depend on the date the sale closes and any transitional services that the City might provide to the buyer.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2011, 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 2011 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. A two percent cost of living adjustment, effective January 1, 2011, has been programmed for all employees except for the General Manager.
- A 15 percent increase in water utility rates has been programmed, effective March 1, 2011.
- Staffing levels have been reduced from 110.5 regular, full-time equivalent (FTE) positions to 108.5 regular, FTE positions.
- Insurance costs will decrease by 37 percent because of the favorable placement of the City's general insurance program.
- Annual debt service will increase as a result of issuing \$6.7 million through the ADEC Drinking Water Loan Program.
- A 10 percent increase for health insurance premiums, effective July 1, 2011, 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 .5 percent rate of return on investments has been programmed to reflect the investment climate for fixed income investments expected in 2011.
- 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 been programmed.
- A 10 percent reduction in community agency funding has been programmed.

The 2011 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 2011 that is acceptable to the community at large and will allow KPU to continue to provide adequate and reliable electric,

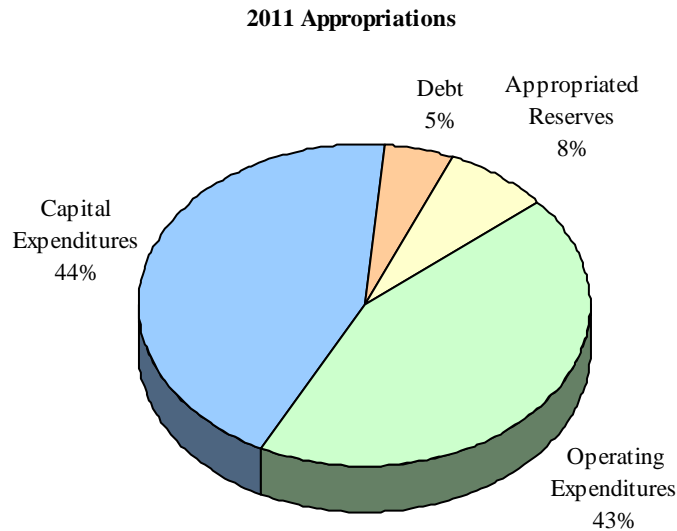
telecommunications and water services to its customers.

FINANCIAL OVERVIEW OF THE KETCHIKAN PUBLIC UTILITIES 2011 ANNUAL BUDGET

The 2011 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$67,176,927, an increase of \$11,765,212 from the amount appropriated with the adoption of the 2010 Budget. The key components of total appropriations requested for 2011 and a comparison with 2010 appropriations are as follows:

	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Operating Expenditures	\$28,105,867	\$29,352,006	\$1,246,139
Capital Expenditures	19,496,826	29,365,885	9,869,059
Debt	3,091,617	3,333,454	241,837
Appropriated Reserves	4,717,405	5,125,582	408,177
Total	<u>\$55,411,715</u>	<u>\$67,176,927</u>	<u>\$11,765,212</u>
Number of Employees	<u>110.50</u> *	<u>108.50</u>	<u>2.00</u>

* Restated to reflect action taken by the City Council in January 2010 to show increased staffing from 106.86 to 110.50.



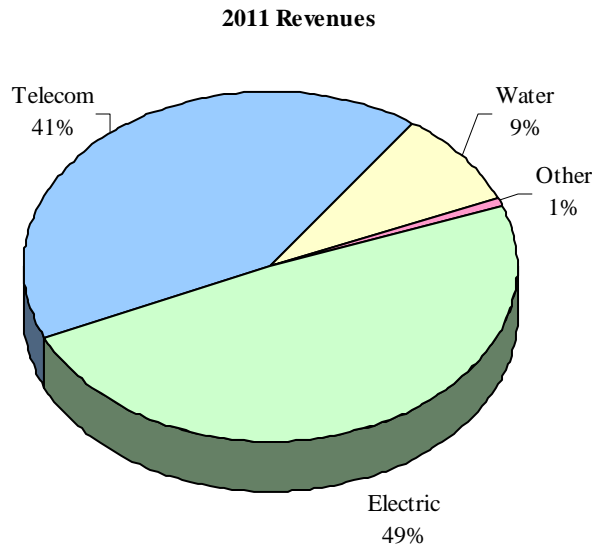
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2011, please refer to the “C” pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$32,708,586 have been programmed for 2011. The table below identifies the major revenue sources by operating utility and compares 2011 revenue projections with the projections that were developed for 2010.

	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Electric	\$16,400,300	\$16,209,836	(\$190,464)
Telecommunications	12,728,633	13,744,850	1,016,217
Water	2,547,300	2,927,100	379,800
Other	480,000	280,000	(200,000)
Total	<u><u>\$32,156,233</u></u>	<u><u>\$33,161,786</u></u>	<u><u>\$1,005,553</u></u>



Electric Revenues: The projection for 2011 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 2011 revenue projections with the estimates that were developed for 2010.

	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Residential	\$6,942,800	\$6,701,800	(\$241,000)
Harbor	284,900	294,200	9,300
Business	6,344,500	6,252,900	(91,600)
Industrial	1,588,700	1,730,700	142,000
Yard Lights	51,000	48,800	(2,200)
Demand	429,800	424,800	(5,000)
Street Lights	125,600	123,200	(2,400)
Other	633,000	633,436	436
Total	<u>\$16,400,300</u>	<u>\$16,209,836</u>	<u>(\$190,464)</u>

Electric revenues are projected to remain flat in 2011. The model used to project rates has been influenced by the warmer weather that was experienced in 2010. As noted earlier, weather plays a key role in the demand for electric energy.

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 2011 revenue projections with the estimates that were developed for 2010.

	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Local Network Services	\$2,309,000	\$2,101,500	(\$207,500)
Network Access Services	7,394,000	8,316,250	922,250
IP Network - DSL and IPTV	2,466,633	2,766,800	300,167
Directory Revenue	347,000	348,800	1,800
Payphones	54,000	37,400	(16,600)
Miscellaneous	158,000	174,100	16,100
Total	<u>\$12,728,633</u>	<u>\$13,744,850</u>	<u>\$1,016,217</u>

Revenues from local network services have been projected to decline as a result of continuing competition from GCI for local customers. Network access services have been projected to increase by 12.5 percent. Revenues from network access services are based on the Division's revenue requirements as determined from cost of service studies prepared by the Division's outside consultants. The Division's consultants have projected that the cost of service will increase by \$443,000 in 2011. The consultants have also estimated that USF settlements will increase network access services revenues by \$521,000 in 2011. IP Network - DSL and IPTV revenues are projected to increase as the Division expands its digital television offerings and reaches out to more consumers.

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, 2011. The rate increase is expected to generate \$384,500 of additional revenues. The table below summarizes the major operating revenues of the division and compares 2011 revenue projections with the estimates that were developed for 2010.

	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Residential	\$1,104,000	\$1,275,300	\$171,300
Apartment	213,000	242,900	29,900
Business	847,000	1,003,500	156,500
Industrial	87,000	74,000	(13,000)
Cannery	150,000	157,500	7,500
Port	123,000	131,000	8,000
Miscellaneous	23,300	42,900	19,600
Total	<u>\$2,547,300</u>	<u>\$2,927,100</u>	<u>\$379,800</u>

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

EXPENDITURES

Operating appropriations, including debt service, in the amount of \$29,352,006 have been programmed for 2011, a decrease of \$1,246,139 over the amount originally appropriated with the adoption of the 2010 Budget. The table below identifies the major operating expenses by category and utility, and compares the 2011 request for appropriations with the request for 2010.

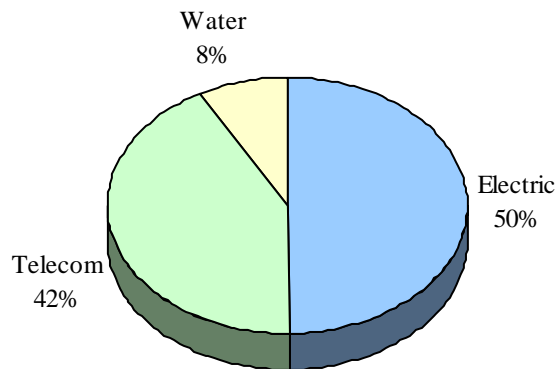
	<u>2010</u>	<u>2011</u>	Net Change Increase (Decrease)
Mayor and Council	\$187,300	\$178,930	(\$8,370)
Law	149,000	150,000	1,000
City Clerk	113,000	97,000	(16,000)
Human Resources	156,000	151,000	(5,000)
Finance	754,000	775,000	21,000
Information Technology	575,000	647,000	72,000
Administration	297,037	276,324	(20,713)
Engineering	584,423	580,582	(3,841)
Sales, Mrktng & Customer Service	2,021,811	2,030,649	8,838
Electric	11,611,693	12,366,052	754,359
Telecommunications	8,775,546	9,446,747	671,201
Water	1,596,277	1,613,722	17,445
Insurance	556,780	311,000	(245,780)
Payment in Lieu of Taxes	728,000	728,000	
Total	<u>\$28,105,867</u>	<u>\$29,352,006</u>	<u>\$1,246,139</u>

The primary reason for the increase in operating appropriations is the cost of doing business is rising for the Electric and Telecommunications Divisions. The Electric Division is requesting an additional \$674,000 for purchased power. This request is to cover the cost of power purchased from Lake Tyee in order to avoid having to use more expensive diesel generation.

There are two key factors driving the Telecommunications Division’s request for more operating appropriations. They are:

- The 2010 Budget assumed that three positions would be abolished on January 31, 2010. The three positions were restored, but are not reflected in the above table. The cost of restoring those positions was \$304,862. Two of the positions remain in the proposed 2011 Budget.
- Growth in its Internet and IPTV product lines is requiring the Telecommunications Division to acquire more bandwidth and pay more fees for video content. The Division is requesting an additional \$115,000 for equipment rentals and \$198,000 for licenses and fees.

2011 Operating Expenses by Utility

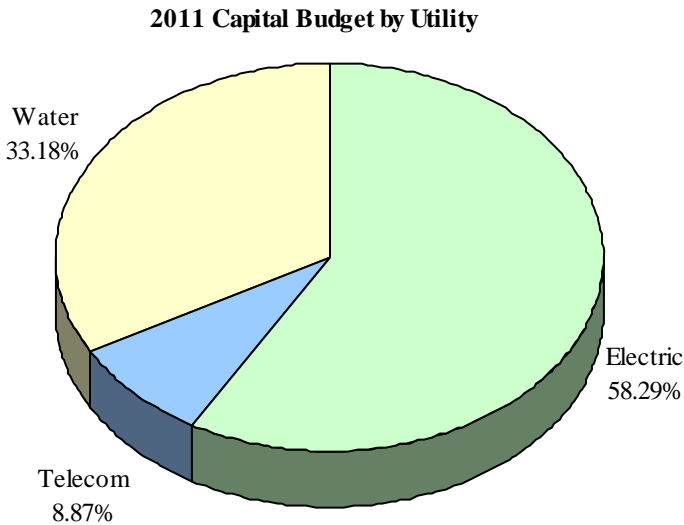


The amount of capital appropriations requested for 2011 is \$28.9 million. The table below identifies the major capital expenses by utility, and compares the 2011 request for appropriations with the request for 2010.

	2010	2011	Increase (Decrease)
Administration	\$432,500		(\$432,500)
Sales, Marketing & Customer Service	38,000		(38,000)
Electric	9,613,576	17,117,180	7,503,604
Telecommunications	2,500,000	2,505,000	5,000
Water	6,912,750	9,743,705	2,830,955
Total	<u>\$19,496,826</u>	<u>\$29,365,885</u>	<u>\$9,869,059</u>

Funding for the proposed capital budget is as follows:

	<u>Amount</u>	<u>Percentage</u>
Grants	\$20,146,429	68.6%
Bonds	3,857,544	13.1%
Revenues from operations	476,326	1.6%
Reserves	4,885,586	16.6%
	<u>\$29,365,885</u>	<u>100.0%</u>



As of the date of this letter of transmittal, KPU had only secured grants in the amount of \$6.62 million for the projects proposed in the 2011 Budget. Grant funding in the amount of \$13.53 million for Whitman Lake Hydroelectric, Jackson, 4th & 7th Water Improvements, and Alaska Avenue Water Improvements projects has yet to be awarded. Please see the proposed KPU 2011 - 2015 Capital Improvement Program for information about the projects planned for 2011.

PERSONNEL

The proposed 2011 KPU Budget (page C-3) requests funding for 108.50 full-time equivalent (FTE) employees, net of Swan Lake personnel (4.0 FTE). This represents a decrease of 2.0 FTE from 2010. The changes to personnel are summarized in the table that follows.

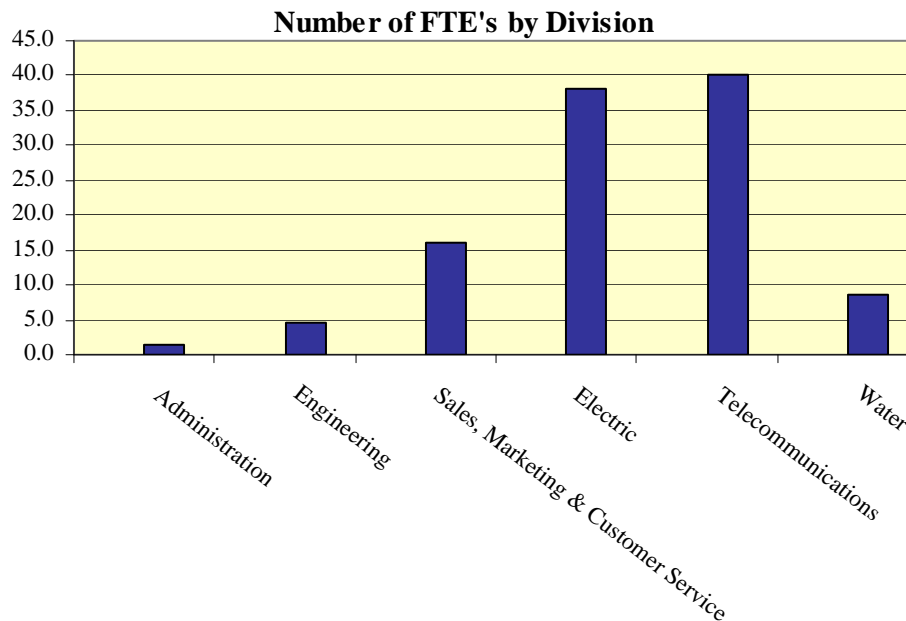
<u>Division</u>	<u>Position</u>	<u>Action</u>	<u>FTE</u>
Electric	Lineman Apprentice	Abolish	1.00
Telecommunications	Combination Tech Apprentice	Abolish	1.00
Total			<u>2.00</u>

The abolishment of these two positions will save KPU \$154,500, including benefits. Both positions are currently vacant.

KPU is also adding one more maintenance and operations person to the staff at the Swan Lake Hydroelectric Facility. This position is not reflected in the table above because it has been proposed to have the position fully funded by SEAPA.

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 2011 request for appropriations with the request for 2010.

	2010	2011	Net Change Increase (Decrease)
Salaries and Wages - Regular Employees	\$7,496,350	\$7,814,003	\$317,653
Salaries and Wages - Temporary Employees	91,250	136,700	45,450
Overtime	385,000	440,000	55,000
Employee Benefits	4,237,100	4,288,200	51,100
Total	<u>\$12,209,700</u>	<u>\$12,678,903</u>	<u>\$469,203</u>



The cost of personnel has been programmed to increase in 2011. As was mentioned earlier, salaries and wages for 2010 were understated by the temporary abolishment of three employees. All three positions were reinstated shortly after the adoption of 2010 Budget. The net increase of \$469,203 includes the restoration of the three positions, the proposed abolishment of two positions in 2011, a 2 percent cost of living adjustment, a 10 percent increase in health insurance and a favorable reduction in workers compensation premiums.

DEBT MANAGEMENT

KPU will have six municipal utility revenue bond issues outstanding totaling \$19,611,000 on January 1, 2011. The issues are: Series T - \$7,835,000; Series U - \$1,750,000; Series V - \$2,390,000; Series W: CREBS - \$960,000, Series W: ADEC Tongass Avenue- \$1,816,00, and Series W: UV Treatment Plant - \$4,860,000. The final maturity is as follows:

Bond Issue	Final Maturity
Series T	2017
Series U	2012
Series V	2014
Series W: CREBS	2022
Series W: ADEC Tongass Avenue	2030
Series W: ADEC UV Treatment Plant	2030

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 \$4.1 million will be issued in 2011 for the Tongass Avenue and Jackson Street/4th & 7th Avenue water main replacement projects and the Baranof water reservoir project. Approximately \$3.9 million from the original \$15 million is still available.

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 in compliance with the debt service coverage requirements of the City Council and KPU's bond covenants. The projected debt service coverage is 1.54 times annual debt service coverage.

The total annual debt service included in the 2011 Budget is \$3,333,454. The total debt service required to maturity, including principal and interest is estimated at \$22,344,480. 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 in

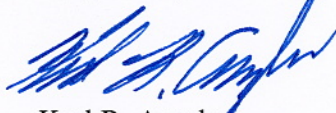
compliance with this requirement. It is the opinion of staff that the proposed spending plans for 2011 complies with the financial objectives mandated by the City Council with the adoption of Resolution No. 90-1645, except for the debt service coverage requirement.

CONCLUSION

The 2011 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 2011. 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 2011 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 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 2011.)

KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ESTIMATE OF FUNDS AVAILABLE

	2010 Adopted Budget	2010 Amended Budget	2010 Estimate	2011 Budget
Funds Available, January 1	12,805,552	12,805,552	11,748,071	10,781,657
Revenues				
Electric	23,773,856	23,449,556	16,392,923	31,574,916
Telecommunications	12,728,633	12,834,593	13,823,345	13,744,850
Water	9,295,050	9,295,050	6,814,143	11,865,993
Other	480,000	480,000	1,380,000	280,000
Total Revenues	46,277,539	46,059,199	38,410,411	57,465,759
Appropriations				
Mayor and Council	187,300	224,700	223,700	421,977
Law	149,000	149,000	146,000	199,000
City Clerk	113,000	116,000	116,000	121,969
Human Resources	156,000	156,000	154,000	151,000
Finance - General Accounting	561,000	561,000	534,000	576,000
Finance - Office Services	193,000	193,000	190,000	199,000
Information Technology	575,000	575,000	573,000	647,000
Administration	729,537	754,537	292,235	679,052
Engineering	584,423	584,423	570,664	580,582
Sales, Marketing & Cust. Svc.	2,059,811	2,059,811	2,017,100	2,030,649
Electric	21,225,269	21,626,041	12,990,945	29,606,557
Telecommunications	11,275,546	11,680,408	11,515,837	12,210,883
Water	8,509,027	8,509,027	5,960,073	11,722,427
Other	4,376,397	4,376,397	4,093,271	4,372,454
Total Appropriations	50,694,310	51,565,344	39,376,825	63,518,550
Funds Available, December 31	8,388,781	7,299,407	10,781,657	4,728,866

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

SUMMARY OF EXPENDITURES - ALL DIVISIONS

	Operating	Capital	Debt	Total
Mayor and Council	421,977			421,977
Law	199,000			199,000
City Clerk	121,969			121,969
Human Resources	151,000			151,000
Finance - General Accounting	576,000			576,000
Finance - Office Services	199,000			199,000
Information Technology	647,000			647,000
Administration	278,052	401,000		679,052
Engineering	580,582			580,582
Sales, Marketing & Cust. Svc.	2,030,649			2,030,649
Electric	12,444,024	17,162,533		29,606,557
Telecommunications	9,446,747	2,764,136		12,210,883
Water	1,613,722	10,108,705		11,722,427
Other	1,039,000		3,333,454	4,372,454
Total Expenditures	29,748,722	30,436,374	3,333,454	63,518,550
Percentage	46.83%	47.92%	5.25%	100.00%

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

NUMBER OF EMPLOYEES

	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Adopted</u>	<u>2010</u> <u>Amended</u>	<u>2010</u> <u>Estimate</u>	<u>2011</u> <u>Budget</u>
ADMINISTRATION	1.50	1.50	1.50	1.50	1.50	1.50
ENGINEERING	7.50	7.50	4.50	4.50	4.50	4.50
SALES, MARKETING & CUSTOMER SERVICE	12.50	16.50	16.00	16.00	16.00	16.00
ELECTRIC DIVISION						
Administrative	5.00	5.00	6.00	6.00	6.00	6.00
Generation	7.50	7.50	7.00	7.00	7.00	7.00
Transmission/Distribution	19.50	19.50	18.59	19.50	19.50	19.50
Maintenance	7.00	7.00	6.50	6.50	6.50	6.50
Swan Lake	3.00	3.00	3.00	3.00	3.00	4.00
	42.00	42.00	41.09	42.00	42.00	43.00
Less personnel allocated to Swan Lake	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(4.00)
Net	39.00	39.00	38.09	39.00	39.00	39.00
TELECOMMUNICATIONS DIVISION						
Administrative	6.00	6.00	6.00	6.00	6.00	6.00
Marketing and Sales	4.00					
Engineering Operations	3.00	4.00	4.00	4.00	4.00	4.00
Plant Specific Operations	26.00	23.00	22.09	23.00	23.00	22.00
Plant Non-Specific Operations	6.00	6.00	4.18	6.00	6.00	6.00
Non-Regulated Operations	2.00	2.00	2.00	2.00	2.00	2.00
	47.00	41.00	38.27	41.00	41.00	40.00
WATER DIVISION						
Operations/Maintenance	7.50	7.50	8.50	8.50	8.50	8.50
TOTAL KPU EMPLOYEES	118.00	116.00	109.86	113.50	113.50	113.50
Less personnel allocated to Swan Lake	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(4.00)
NET KPU EMPLOYEES	115.00	113.00	106.86	110.50	110.50	109.50

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

RESERVE REQUIREMENTS

Operating Expenses

Mayor and Council	421,977
Law	199,000
City Clerk	121,969
Human Resources	151,000
Finance - General Accounting	576,000
Finance - Office Services	199,000
Information Technology	647,000
Administration	278,052
Engineering	580,582
Sales, Marketing & Cust. Svc.	2,030,649
Electric	12,444,024
Telecommunications	9,446,747
Water	1,613,722
Insurance	311,000
Payment In Lieu of Taxes	728,000

Total Operating Expenses 29,748,722

Reserve Requirement (12% of operating expenses) * 3,569,847

Estimated Reserves, December 31, 2011 4,728,866
(15.9 % of operating expenses)

Excess (Deficiency) 1,159,019

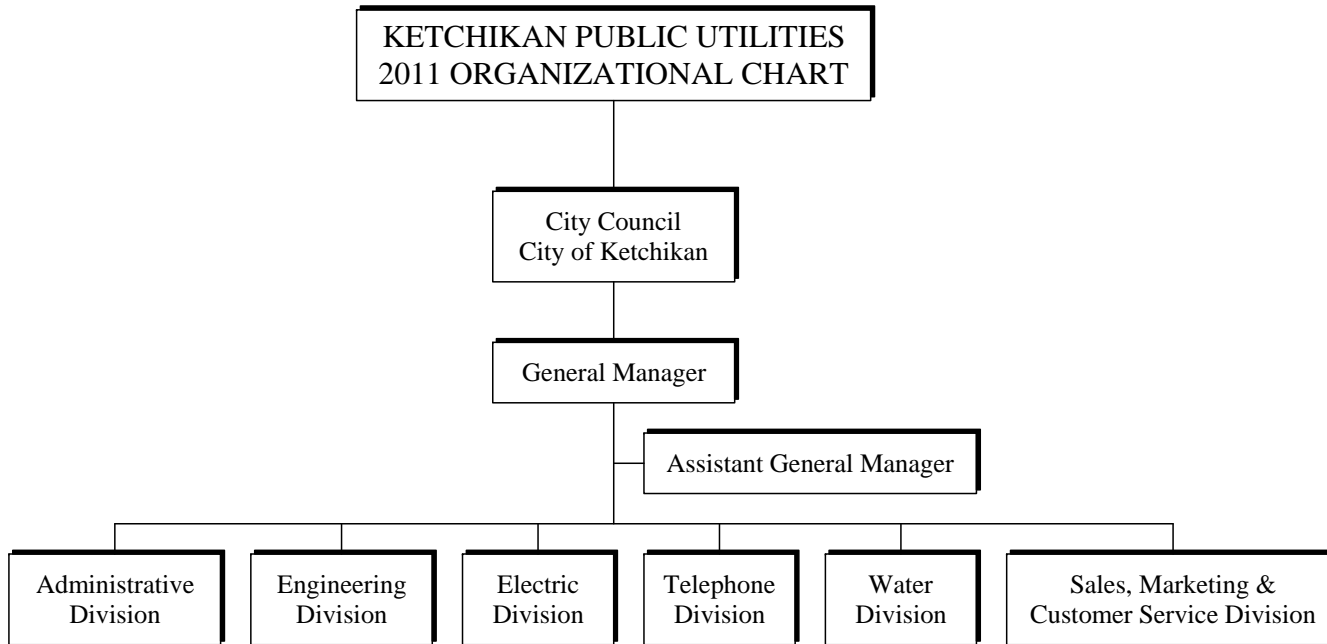
* Policy established by Resolution No. 90-1645.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SOURCE OF FUNDING**

	Total	Utility Revenue Fund			Other
		Electric	Telephone	Water	Funds (1) Capital
Revenues					
Electric					
Operating	16,209,836	16,209,836			
Grants	15,365,080				15,365,080
Telecommunications					
Operating	13,744,850		13,744,850		
Water					
Operating	2,927,100			2,927,100	
Grants	4,781,349				4,781,349
Bonds	4,157,544				4,157,544
Other					
Other	280,000	134,400	134,400	11,200	
Total Revenues	57,465,759	16,344,236	13,879,250	2,938,300	24,303,973
Operating Expenses and Taxes					
Mayor and Council	421,977	210,989	168,791	42,198	
Law	199,000	103,480	73,630	21,890	
City Clerk	121,969	60,985	48,788	12,197	
Human Resources	151,000	67,950	67,950	15,100	
Finance - General Accounting	576,000	288,000	259,200	28,800	
Finance - Office Services	199,000	99,500	79,600	19,900	
Information Technology	647,000	77,640	556,420	12,940	
Administration	278,052	139,026	111,221	27,805	
Engineering	580,582	232,233	58,058	290,291	
Sales, Marketing & Cust. Svc	2,030,649	527,969	1,421,454	81,226	
Electric	12,444,024	12,444,024			
Telecommunications	9,446,747		9,446,747		
Water	1,613,722			1,613,722	
Insurance	311,000	217,700	65,310	27,990	
PILOT	728,000	356,720	189,280	182,000	
Total Expenditures	29,748,722	14,826,215	12,546,449	2,376,059	
Surplus (Deficit) Before Capital Expenditures and Debt Service	27,717,037	1,518,021	1,332,801	562,241	24,303,973
Debt Service					
Debt Service	3,333,454	1,983,187	11,117	1,339,150	
Surplus (Deficit) Before Capital Expenditures	24,383,583	(465,166)	1,321,684	(776,909)	24,303,973
Capital Expenditures					
Electric	17,162,533	1,797,453			15,365,080
Telecommunications	2,764,136		2,764,136		
Water	10,108,705			1,169,812	8,938,893
	30,436,374	1,997,953	2,924,536	1,209,912	24,303,973
Surplus (Deficit) After Capital Expenditures (2)	(6,052,791)	(2,463,119)	(1,602,852)	(1,986,821)	

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

(2) Amount funded from reserves.



KETCHIKAN PUBLIC UTILITIES
2011 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	975,000	316,662	1,291,662	100.00%	1,291,662					100.00%	1,291,662
Series U	865,000	35,000	900,000	34.38%	309,420			65.62%	590,580	100.00%	900,000
Series V	560,000	105,700	665,700	44.30%	294,905	1.67%	11,117	54.03%	359,678	100.00%	665,700
Series W - CREBS	80,000	7,200	87,200	100.00%	87,200					100.00%	87,200
Series W - ADEC	288,692	100,200	388,892					100.00%	388,892	100.00%	388,892
TOTAL	<u>2,768,692</u>	<u>564,762</u>	<u>3,333,454</u>		<u>1,983,187</u>		<u>11,117</u>		<u>1,339,150</u>		<u>3,333,454</u>

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

DEBT SERVICE COVERAGE

Operating Revenues

Electric	16,209,836
Telephone	13,744,850
Water	2,927,100
Other	280,000

Total Operating Revenues 33,161,786

Operating Expenses

Mayor and Council	421,977
Law	199,000
City Clerk	121,969
Human Resources	151,000
Finance - General Accounting	576,000
Finance - Office Services	199,000
Information Technology	647,000
Administration	278,052
Engineering	580,582
Sales, Marketing & Cust. Svc.	2,030,649
Electric	12,444,024
Telecommunications	9,446,747
Water	1,613,722
Insurance	311,000

Total Operating Expenses (excluding payment in lieu of taxes) 29,020,722

Net Revenue Available for Debt Service 4,141,064

Annual Debt Service - Senior Lien Debt Only 2,944,562

Debt Service Coverage Ratio 1.41

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

2011 Annual Budget

Annual Debt Service

Year	Series T	Series U	Series V	Series W - CREBS	ADEC	Total
					Drinking Water Loan	
2011	1,291,662	900,000	665,700	87,200	388,892	3,333,454
2012	1,297,980	902,700	668,300	86,600	388,892	3,344,472
2013	1,296,380		668,438	86,000	388,892	2,439,710
2014	1,287,680		666,750	85,400	388,892	2,428,722
2015	1,300,930			84,800	388,892	1,774,622
2016	1,307,080			84,200	388,892	1,780,172
2017	1,306,240			83,600	388,892	1,778,732
2018				83,000	388,892	471,892
2019				82,400	388,892	471,292
2020				81,800	388,892	470,692
2021				81,200	388,892	470,092
2022				80,600	388,892	469,492
2023					388,892	388,892
2024					388,892	388,892
2025					388,892	388,892
2026					388,892	388,892
2027					388,892	388,892
2028					388,892	388,892
2029					388,892	388,892
2030					388,892	388,892
	9,087,952	1,802,700	2,669,188	1,006,800	7,777,840	22,344,480

**Ketchikan Public Utilities
2011 Annual Budget
Revenue Summary**

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

	2008 Actual	2009 Actual	2010			2011 Budget
			Adopted Budget	Amended Budget	Estimate	
Operating Revenue						
Residential	6,691,810	6,743,435	6,942,800	6,800,000	6,652,300	6,701,800
Harbor	289,017	275,352	284,900	279,000	285,200	294,200
Business	6,327,156	6,167,549	6,344,500	6,214,000	6,221,100	6,252,900
Industrial	1,615,798	1,622,961	1,588,700	1,556,000	1,743,000	1,730,700
Yard Lights	50,145	49,019	51,000	50,000	48,800	48,800
Large Comm'l Demand	255,368	256,050	259,300	254,000	249,100	253,700
City Street Lights	123,012	123,499	125,600	123,000	123,100	123,200
Industrial Demand	171,471	173,245	170,500	167,000	166,500	171,100
Diesel Fuel Surcharge	2,205,971	1,228,808				
Total Operating Revenue	17,729,748	16,639,918	15,767,300	15,443,000	15,489,100	15,576,400
Other Operating Revenue						
Service Charges	128,235	143,097	130,000	130,000	140,800	140,000
Penalty	98,531	100,174	100,000	100,000	96,700	100,000
Pole Rentals - External	56,621	56,770	61,000	61,000	61,000	54,300
Pole Rentals - Interdepartmental	143,150	143,150	143,000	143,000	140,136	140,136
Other Revenue	(60,568)	(88,482)	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	100,169	190,521	158,000	158,000	158,000	158,000
Other Revenue	1,559	6,472	7,000	7,000	6,500	7,000
Total Other Operating Revenue	497,697	581,702	633,000	633,000	637,136	633,436
Total Operating Revenue	18,227,445	17,221,620	16,400,300	16,076,000	16,126,236	16,209,836
Nonoperating Revenue						
Bond Proceeds						
Contributions		328,444	231,556	231,556	(274,293)	
Grants	2,187,888	1,300,000	7,142,000	7,142,000	540,980	15,365,080
Total Nonoperating Revenue	2,187,888	1,628,444	7,373,556	7,373,556	266,687	15,365,080
Total Electric Revenue	20,415,333	18,850,064	23,773,856	23,449,556	16,392,923	31,574,916

**Ketchikan Public Utilities
2011 Annual Budget
Revenue Summary**

**Fund: KPU Enterprise Fund
Division: Telecommunications**

	2008 Actual	2009 Actual	2010		2011 Budget
			Adopted Budget	Amended Budget	
Local Network Services					
Business & Residential	1,288,334	1,168,227	1,083,000	1,083,000	1,030,600
Local Special Circuits	891,543	843,321	835,000	835,000	723,700
Other Local Revenue	481,983	466,536	391,000	391,000	347,200
Total Local Revenue	2,661,860	2,478,084	2,309,000	2,309,000	2,101,500
Network Access Services					
Interstate Flat Rate End User	865,902	809,375	747,000	747,000	717,050
Interstate Access Charges	4,092,711	4,306,565	4,129,000	4,234,960	5,278,000
Interstate Special Access Charges	963,976	1,429,185	1,163,000	1,163,000	893,200
Intrastate Access Charges	1,535,750	1,627,261	1,355,000	1,355,000	1,428,000
Total Network Access Services Revenue	7,458,339	8,172,386	7,394,000	7,499,960	8,316,250
Miscellaneous					
Directory Revenue	419,978	428,248	347,000	347,000	348,800
Miscellaneous Revenue	40,407	90,760	81,000	81,000	98,200
LD Carrier Billing & Collection	25,636	4,965			
Total Miscellaneous Revenue	486,021	523,973	428,000	428,000	447,000
Nonregulated & Other Revenue					
Customer Premise Eq Sales/Service	79,824	57,837	55,000	55,000	55,000
Payphone Revenue	37,293	70,353	54,000	54,000	37,400
Paging Revenue					
IP Network	2,218,422	2,408,830	2,466,633	2,466,633	2,766,800
Miscellaneous	25,564	23,779	22,000	22,000	20,900
Total Nonregulated & Other Revenue	2,361,103	2,560,799	2,597,633	2,597,633	2,880,100
Total Operating Revenues	12,967,323	13,735,242	12,728,633	12,834,593	13,823,345
Total Telecommunications Revenue	12,967,323	13,735,242	12,728,633	12,834,593	13,744,850

**Ketchikan Public Utilities
2011 Annual Budget
Revenue Summary**

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

	2008 Actual	2009 Actual	2010		Estimate	2011 Budget
			Adopted Budget	Amended Budget		
Operating Revenue						
Residential	888,236	966,755	1,104,000	1,104,000	1,109,000	1,275,300
Apartment	174,022	188,158	213,000	213,000	212,700	242,900
Business	667,523	756,319	847,000	847,000	872,600	1,003,500
Industrial	79,714	68,793	87,000	87,000	64,400	74,000
Cannery	70,376	129,648	150,000	150,000	151,800	157,500
Port	148,781	141,328	123,000	123,000	131,000	131,000
Fire Hydrant	9,210	19,170	15,000	15,000	30,400	34,600
Total Operating Revenue	2,037,862	2,270,171	2,539,000	2,539,000	2,571,900	2,918,800
Other Operating Revenue						
Penalty	11,482	12,964	8,000	8,000	12,500	8,000
Other Revenue	15,323	38,036	300	300	8,700	300
Total Other Operating Rev	26,805	51,000	8,300	8,300	21,200	8,300
Total Operating Revenue	2,064,667	2,321,171	2,547,300	2,547,300	2,593,100	2,927,100
Water Nonoperating Revenue						
Bond Proceeds		1,032,678	2,184,000	2,184,000	1,650,846	4,157,544
Other Revenue			100,000	100,000	100,000	
Grants	1,232,593		4,463,750	4,463,750	2,470,197	4,781,349
Total Nonoperating Water Revenue	1,232,593	1,032,678	6,747,750	6,747,750	4,221,043	8,938,893
Total Water Revenue	3,297,260	3,353,849	9,295,050	9,295,050	6,814,143	11,865,993

**Ketchikan Public Utilities
2011 Annual Budget
Revenue Summary**

Fund: KPU Enterprise Fund
Division: Other

	2008 <u>Actual</u>	2009 <u>Actual</u>	2010			2011 <u>Budget</u>
			<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Estimate</u>	
Operating Revenue						
Interest Income	786,589	317,368	400,000	400,000	200,000	200,000
Gen Gov Billing and Collections	60,000	80,000	80,000	80,000	80,000	80,000
Total Operating Revenue	846,589	397,368	480,000	480,000	280,000	280,000
Nonoperating Revenues						
Bond Reserve Account Transfer					1,100,000	
					1,100,000	
Total Other Revenue	846,589	397,368	480,000	480,000	1,380,000	280,000

**Ketchikan Public Utilities
2011 Annual Budget
Revenue Summary**

Fund: KPU Enterprise Fund
Division: All

	2008 <u>Actual</u>	2009 <u>Actual</u>	2010		2011 <u>Budget</u>	
			<u>Adopted Budget</u>	<u>Amended Budget</u>		<u>Estimate</u>
Operating Revenues						
Electric	18,227,445	17,221,620	16,400,300	16,076,000	16,126,236	16,209,836
Telecommunications	12,967,323	13,735,242	12,728,633	12,834,593	13,823,345	13,744,850
Water	2,064,667	2,321,171	2,547,300	2,547,300	2,593,100	2,927,100
Other	846,589	397,368	480,000	480,000	280,000	280,000
	34,106,024	33,675,401	32,156,233	31,937,893	32,822,681	33,161,786
Nonoperating Revenues						
Electric	2,187,888	1,628,444	7,373,556	7,373,556	266,687	15,365,080
Water	1,232,593	1,032,678	6,747,750	6,747,750	4,221,043	8,938,893
Other					1,100,000	
	3,420,481	2,661,122	14,121,306	14,121,306	5,587,730	24,303,973
 Total Revenue - All Divisions	 37,526,505	 36,336,523	 46,277,539	 46,059,199	 38,410,411	 57,465,759

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 511 Mayor and Council

Function: 016 Administration

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
51	Community Agency	103,600	103,600	51,800	77,700	77,700	312,977
53	Contractual Services	99,000	115,000	135,500	147,000	146,000	109,000
Division Total		202,600	218,600	187,300	224,700	223,700	421,977

COMMUNITY AGENCY FUNDING DETAIL

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
Alaska Legal Services							9,900
Big Brothers Big Sisters of Southeast AK							4,500
Boys & Girls Clubs							11,250
Community Connections - OARS							30,889
First City Players							6,750
Historic Ketchikan		40,000	40,000	20,000	30,000	30,000	27,000
Ketchikan Area Arts & Humanities Council		63,600	63,600	31,800	47,700	47,700	42,930
Ketchikan Committee for Homeless							43,600
Ketchikan Community Services							
Ketchikan Senior Services							22,500
Southeast Senior Services							51,718
Ketchikan Kanayama Exchange							
Ketchikan Resource Center							8,000
Ketchikan Theatre Ballet							
Ketchikan Volunteer Rescue Squad							1,800
Ketchikan Youth Court							
PATCH Works							16,200
Rendezvous Senior Day Services							27,540
Salvation Army							3,000
Southeast Alaska Independent Living (SAIL)							5,400
		103,600	103,600	51,800	77,700	77,700	312,977

Effective January 1, 2011, community agency programs previously funded by the City's General Fund is being funded from Ketchikan Public Utilities Enterprise Fund. Funding for Ketchikan Area Arts & Humanities Council and Historic Ketchikan continues to be funded from the Ketchikan Public Utilities Enterprise Fund.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 512 City Law

Function: 016 Administration

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	113,300	194,131	149,000	149,000	146,000	199,000
Division Total		113,300	194,131	149,000	149,000	146,000	199,000

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 513 City Clerk

Function: 016 Administration

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	110,614	101,798	113,000	116,000	116,000	121,969
Division Total		110,614	101,798	113,000	116,000	116,000	121,969

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 518 Human Resources

Function: 016 Administration

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	149,857	150,139	156,000	156,000	154,000	151,000
Division Total		149,857	150,139	156,000	156,000	154,000	151,000

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 516 Finance

Function: 016 Administration
Division: 11 General Accounting

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	503,002	524,514	561,000	561,000	534,000	576,000
Division Total		503,002	524,514	561,000	561,000	534,000	576,000

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 516 Finance

Function: 016 Administration
Division: 17 Office Services

Description		2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
53	Contractual Services	175,081	182,597	193,000	193,000	190,000	199,000
Division Total		175,081	182,597	193,000	193,000	190,000	199,000

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Administration 514

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	514 KPU Manager	264,589	209,225	297,037	322,037	260,735	278,052
	Total Operating	264,589	209,225	297,037	322,037	260,735	278,052
	Capital						
-	514 KPU Manager	27,945	15,425	432,500	432,500	31,500	401,000
		292,534	224,650	729,537	754,537	292,235	679,052

EXPENDITURE SUMMARY

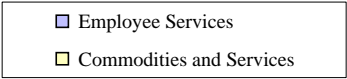
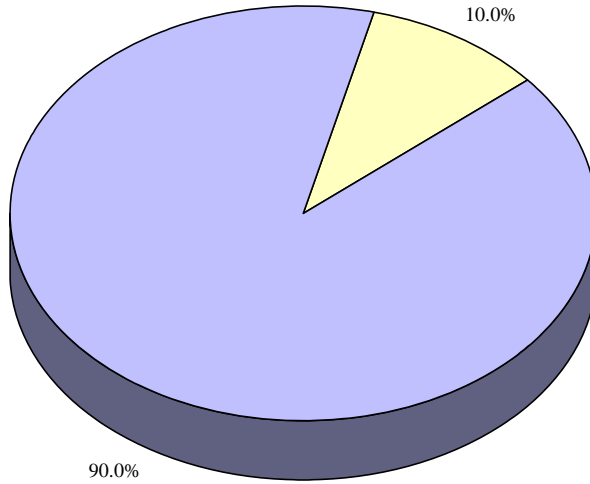
Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	201,290	207,179	218,892	227,300	222,000	250,259
Commodities and Services	60,487	1,395	76,645	92,827	38,735	27,793
Minor Capital Outlay	2,812	651	1,500	2,000		
Total Operating	264,589	209,225	297,037	322,127	260,735	278,052
Capital						
Commodities and Services	27,945	15,425	432,500	432,500	31,500	401,000
Total Capital	27,945	15,425	432,500	432,500	31,500	401,000
	292,534	224,650	729,537	754,627	292,235	679,052

PERSONNEL SUMMARY

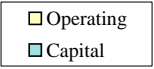
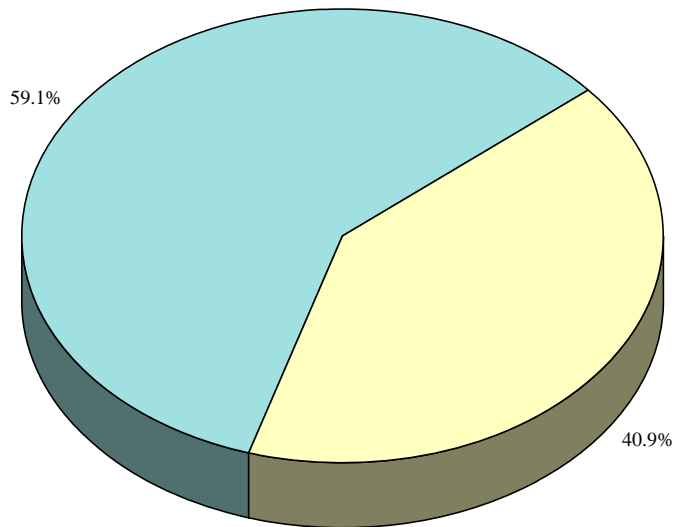
Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Administration	1.50	1.50	1.50	1.50	1.50	1.50
		1.50	1.50	1.50	1.50	1.50	1.50

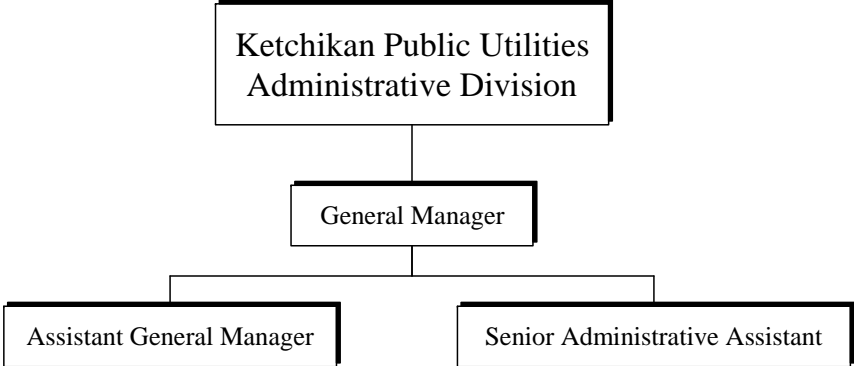
ADMINISTRATION

2011 EXPENDITURES



2011 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES 2011 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 2010

- 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.
- Worked with the Ketchikan Public Utilities Advisory Board, in order to formulate policy positions for transmittal to the City Council.
- In conjunction with the Human Resources Division and Victor-Four Labor Relations, negotiated a two-year extension of the collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 1547, which expired on December 31, 2009.
- Initiated the recruitment of a new Senior Electrical Systems Engineer. Andy Donato of Marysville, Michigan was appointed to the position in March of 2010.
- Continued to work with the Finance Director, in order to evaluate proposals for the replacement of the City's accounting and financial management systems. On-site software demonstrations were performed in August of 2010.
- In conjunction with the City's state lobbyist, Ray Matiashowski, staff successfully lobbied the Legislature for appropriations in the amounts of \$1,000,000 and \$5,000,000 respectively for the Whitman Lake Hydroelectric Project and the replacement of the Bethe Substation.

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ADMINISTRATION DIVISION

- In conjunction with the Water Division Manager, successfully applied for and received a \$1,968,330 ADEC Municipal Matching Grant for the construction of the new Baranof Reservoir.
- Worked with representatives of the Southeast Alaska Power Agency (SEAPA), in order to commission the Swan Lake/Lake Tye Intertie. Electric Division staff worked extensively with SEAPA, in order to develop new dispatch and communication procedures for operating the Intertie and the Swan Lake Hydroelectric Project.
- The Engineering, Electric and Telecommunications Divisions finalized the scope of services for renewal of the pole replacement and line maintenance contract that KPU has in place with Chatham Electric, Inc. On March 5, 2010, the City Council renewed Contract No. 08-03 in the amount of \$130,000. Work is ongoing.
- The Engineering and Electric Divisions continued efforts to complete design and begin construction of 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.
- 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. Phase II of the project was awarded to Commonwealth Associates, Inc. on July 1, 2010 at a cost of \$280,000.
- Worked with the Electric Division Manager to initiate a review of KPU's electric rate structure as a means to advance demand side management and to support development of interconnection policy and standards. On April 15, 2010, the City Council authorized a professional services agreement with D. Hittle & Associates, Inc. at a cost not to exceed \$24,845 for a Phase I review of the Electric Division rate structure.
- The General Manager's Office continued to work with the Telecommunications Division to enhance its deployment of Internet Protocol Television Services (IPTV). KPU CommVision was launched in February of 2006. The IPTV system includes two large satellite antennas, a video headend, a 5,000 hour Video on Demand server system with network PVR capabilities, video transport equipment, intelligent residential and business gateways, set-top boxes and personal video recorders. The Telecommunications Division has negotiated and activated contracts with approximately 70 media content providers. The system is operating well with 127 standard definition channels, 69 high definition channels, 38 subscription movie

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ADMINISTRATION DIVISION

channels, 50 music and radio channels and 16 local content channels. Video on Demand and Pay Per View offer full-length movies and other entertainment venues.

- In March of 2010, the Telecommunications Division completed its two-year effort to transfer its customers from the legacy Nortel switch to the Taqua T7000 softswitch. The Telecommunications Division is the first company in Alaska to retire a legacy Nortel switch and the first sizable Local Exchange Carrier within the state to have an all-digital network backbone.
- Efforts to test and deploy a Personal Video Recorder to CommVision Customers were completed in late 2009 and the Telecommunications Division now offers an Entone PVR, which operates in a reliable and consistent manner.
- The Telecommunications Division finalized design and bid specifications for the third 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 April 15 and June 3, 2010, the City Council awarded Contract Nos. 10-07 and 10-12 to United Technologies, Inc. and Graybar in the amounts of \$206,966 and \$246,059.87 respectively for the purchase of the materials and for the placement of the fiber optic cable and splicing. Staff anticipates that both contracts will be completed by early fall.
- 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 Customer Service and Telecommunications Division in their efforts to expand the Utility's dial-up, DSL Internet and Triple Play customer subscriber base. Local content and innovative advertising efforts have been critical in strategically positioning the Telecommunications Division as the only local community telecommunications provider.
- Worked with the Sales, Marketing & Customer Service Division Manager, in order to develop a public education campaign in support of the potential sale of the Telecommunications Division. On February 6, 2010, voters approved a ballot proposition authorizing the potential sale of the division.
- Continued to work with Falkenberg Capital Corporation to devise a successful strategy for the sale of the Telecommunications Division. An extensive effort has been

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ADMINISTRATION DIVISION

undertaken by the General Manager's Office and the Telecommunications Division to respond to information requests from prospective purchasers.

- 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. Educational outreach began in the spring of 2010.
- The Water and Engineering Divisions prepared project specifications and competitively bid a contract for the second phase of water and sewer main replacement within Tongass Avenue. On December 17, 2009, the City Council awarded Contract No. 09-30, Tongass Avenue Utilities Replacement Phase II, to S&S General Contractors & Equipment Rentals, Inc. in the amount of \$6,737,047. The contract was subsequently amended to add additional sidewalk and curb replacement within the project limits. Staff anticipates that the project will be successfully closed out by fall.
- The Water Division prepared project specifications and competitively bid a contract for site preparation for the location of the new Baranof Reservoir. On November 9, 2009, the City Council awarded Contract No. 09-48, Baranof Reservoir Replacement Site Preparation Project, to Southeast Earthmovers in the amount of \$898,825. Staff anticipates that the project will be closed out by fall.
- Continued to update and keep current the General Government and Ketchikan Public Utilities' website, providing more user-friendly access for residents and non-residents.
- Prepared the City of Ketchikan and Ketchikan Public Utilities 2009 Year-In-Review.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ADMINISTRATION DIVISION**

GOALS AND OBJECTIVES FOR 2011

- 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.
- Continue to work with the Ketchikan Public Utilities Advisory Board, in order to formulate policy positions for transmittal to the City Council.
- 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. Special attention will be given to the funding request for the Whitman Lake Hydroelectric Project.
- Aggressively pursue financing, design and construction of the Whitman Lake Hydroelectric Project.
- Aggressively pursue design and construction of the Bethe Substation Replacement 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.
- 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.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ADMINISTRATION DIVISION**

- 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 fourth year of the five-year Fiber to the Home Project.
- Work with the Engineering and Water Divisions, in order to complete design plans and biddable specifications for the reconstruction of the Jackson/Monroe Streets & 4th/7th Avenues. Seek \$3,374,910 in funding under the 2012 Alaska Department of Environmental Conservation Municipal Matching Grant Program. Provide effective construction oversight of the project.
- Work with the Engineering and Water Divisions, in order to complete design plans and biddable specifications for the reconstruction of Alaska Avenue and portions of Buren Road. Seek \$2,540,606 in funding under the 2012 Alaska Department of Environmental Conservation Municipal Matching Grant Program. Provide effective construction oversight of the project.
- Work with the Engineering and Water Divisions, in order to complete design plans and biddable specifications for the Baranof Reservoir Project. Provide effective construction oversight of the project.
- 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 2010 Year-In-Review.

NARRATIVE

Salaries & Wages (Account 11): \$169,459 - 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; a two percent (2%) cost of living adjustment for non-represented employees effective January 1, 2011; and the adjustment to the General Manager's salary that was approved by the City Council on September 2, 2010.

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

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ADMINISTRATION DIVISION**

be completed during the normal work day and for attending meetings of the Ketchikan Public Utilities Advisory Board. No increase above the current year's appropriation has been proposed.

Employee Benefits (Account 16): \$78,800 - 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. The increase above the current year's appropriation is attributable to annual employee step increases; a two percent (2%) cost of living adjustment for non-represented employees effective January 1, 2011; the adjustment to the General Manager's salary that was approved by the City Council on September 2, 2010; and a projected ten percent (10%) increase in the cost of health insurance premiums.

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 legislative liaison trips; a lobbying trip to Washington, DC; and the City Managers' Annual Conference. No increase above 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. No increase above the current year's appropriation has been proposed.

Office Supplies (Account 39): \$2,000 - This account provides for the cost of expendable office supplies used by the Administration Division. A \$500 decrease to the current year's appropriation has been proposed.

Education & Training (Account 41): \$5,000 - 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 \$2,500 decrease to the current year's appropriation has been proposed.

Advertising and Publishing (Account 50): \$7,500 - This account provides for the cost of public notices, classified advertising and KPU promotional advertising and accessories. A \$64,502 decrease to the current year's amended appropriation has been proposed.

Contractual Services (Account 53): \$1,000 - This account provides for the cost of services incurred by the Administration Division, which cannot otherwise be provided by

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ADMINISTRATION DIVISION

division employees. A \$4,000 decrease to the current year's appropriation has been proposed.

Dues and Publications (Account 54): \$100 - This account provides for the cost of membership in the Alaska Municipal Managers Association. A \$10 increase above the current year's amended appropriation has been proposed.

Maintenance Services (Account 58): \$2,720 - 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 \$720 increase above the current year's appropriation has been proposed to reflect the Administration Division's share of maintaining the Reverse 911 System.

Postage (Account 59): \$250 - This account provides for the annual cost of mailings associated with the ordinary operations of the Administrative Division. A \$250 decrease to the current year's appropriation has been proposed.

Telecommunication Services (Account 63): \$6,148 - 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. A \$3,648 increase above the current year's appropriation has been proposed to reflect the Administration Division's share of the telecommunications charges associated with the Reverse 911 System.

License & Fees (Account 68): \$200 - 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. A \$180 increase above the current year's appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$250 - 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. A \$250 decrease to the current year's appropriation has been proposed.

Capital Projects (Account 94): \$396,000 - This account provides for the cost of funding all direct costs, other than in-house labor, associated with approved capital projects. In 2011, it is proposed to replace the City's financial and accounting information systems. KPU will be assessed one-half of the cost. A \$24,000 decrease to the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 514 KPU Manager

Function: 014 Administration

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimated	Budget
11 Salaries & Wages	140,368	144,726	145,792	152,600	152,600	169,459
12 Overtime	173	542	2,000	1,800	1,700	2,000
14 Temporary Salaries		1,487	3,000	2,500		
16 Employee Benefits	60,749	60,424	68,100	70,400	67,700	78,800
25 Expense Allowance	442	310	1,000	1,000	500	1,000
27 Travel	2,008	3,241	6,375	6,375	6,375	6,375
38 Motor Fuel & Lubricants	677	341	250	250	250	250
39 Office Supplies	1,160	2,346	2,500	2,500	2,000	2,000
41 Education & Training	4,675		7,500	7,500	2,500	5,000
50 Advertising & Publishing	3,472	337	56,000	72,002	25,000	7,500
53 Contractual Services	(352)		5,000	5,000	1,000	1,000
54 Dues and Publications				90	90	100
58 Maintenance Services			2,000	2,000	1,000	2,720
59 Postage	147	141	500	500	250	250
60 Professional Services	51,008	(6,900)				
63 Telecommunication Services	1,925	1,644	2,500	2,500	2,000	6,148
68 Licenses & Fees		30	20	20	20	200
87 Vehicle O & M			500	500	250	250
90 Office Equipment and Furniture	1,155	651				
94 Capital Projects	23,270	15,330	425,000	425,000	29,000	396,000
97 PC Hardware & Software	1,657		1,500	2,000		
Division Total	292,534	224,650	729,537	754,627	292,235	679,052

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 514 KPU Manager

Function: 014 Administration

DETAIL OF PERSONNEL SERVICES

Job Classification	2008	2009	2010		2011	
	Actual	Actual	Adopted	Amended	Number	Salary
KPU General Manager	0.50	0.50	0.50	0.50	0.50	94,862
Assistant KPU General Manager	0.50	0.50	0.50	0.50	0.50	51,716
Senior Administrative Assistant	0.50	0.50	0.50	0.50	0.50	22,881
TOTAL	1.50	1.50	1.50	1.50	1.50	169,459

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
CAPITAL EXPENDITURES**

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

2011 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2011 Budget	Salaries & Wages		Temporary Salaries 14	Employee Benefits 16	Education & Training 41	Office Furniture 90	Motor Vehicles 92	Operating Equipment 93	PC Hardware 97	Account 94	
			11	Overtime 12								Contractual Services	Materials & Supplies
Financial & Accounting Info System	B-2	401,000					5,000					396,000	
		401,000					5,000					396,000	
Total Object 94													396,000

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Engineering 515

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	515 KPU Engineering	768,557	804,019	584,423	584,423	570,664	580,582
	Total Operating	768,557	804,019	584,423	584,423	570,664	580,582
	Capital						
-	515 KPU Engineering	340,353	120,475				
		1,108,910	924,494	584,423	584,423	570,664	580,582

EXPENDITURE SUMMARY

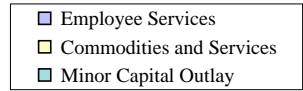
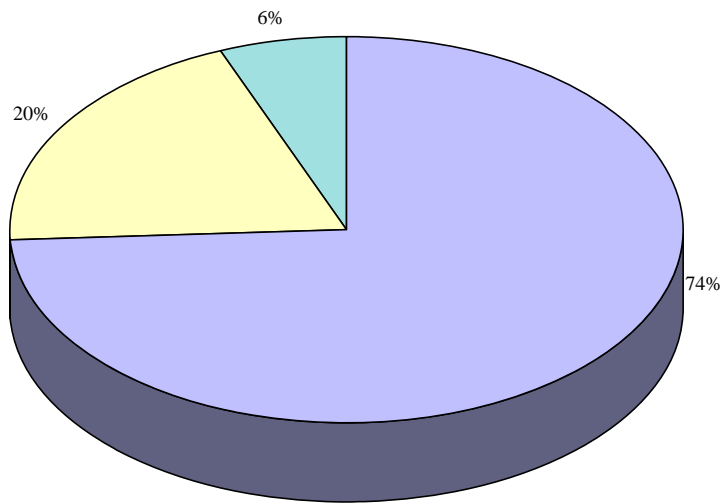
Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	616,398	682,009	427,023	433,523	427,414	430,882
Commodities and Services	123,868	107,508	121,400	114,900	107,250	113,700
Minor Capital Outlay	28,291	14,502	36,000	36,000	36,000	36,000
Total Operating	768,557	804,019	584,423	584,423	570,664	580,582
Capital						
Employee Services	775					
Commodities and Services	339,578	120,475				
Total Capital	340,353	120,475				
	1,108,910	924,494	584,423	584,423	570,664	580,582

PERSONNEL SUMMARY

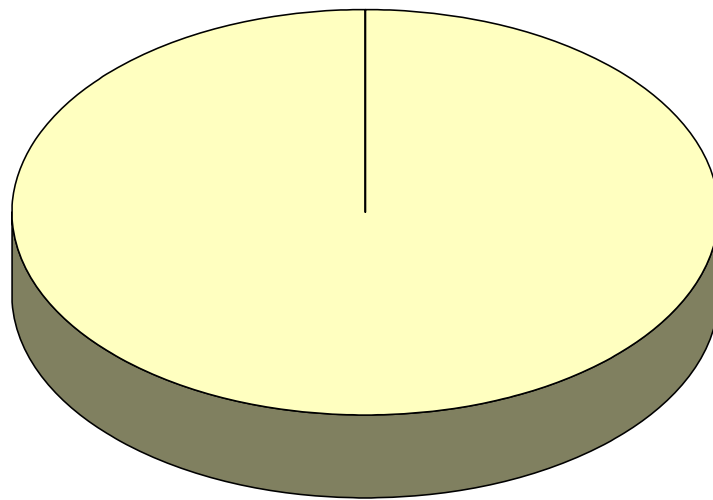
Fund	Division	2008 Actual	2009 Actual	2010			2011 Budget
				Adopted Budget	Amended Budget	Estimate	
410	Engineering	7.50	7.50	4.50	4.50	4.50	4.50
		7.50	7.50	4.50	4.50	4.50	4.50

ENGINEERING

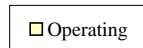
2011 EXPENDITURES

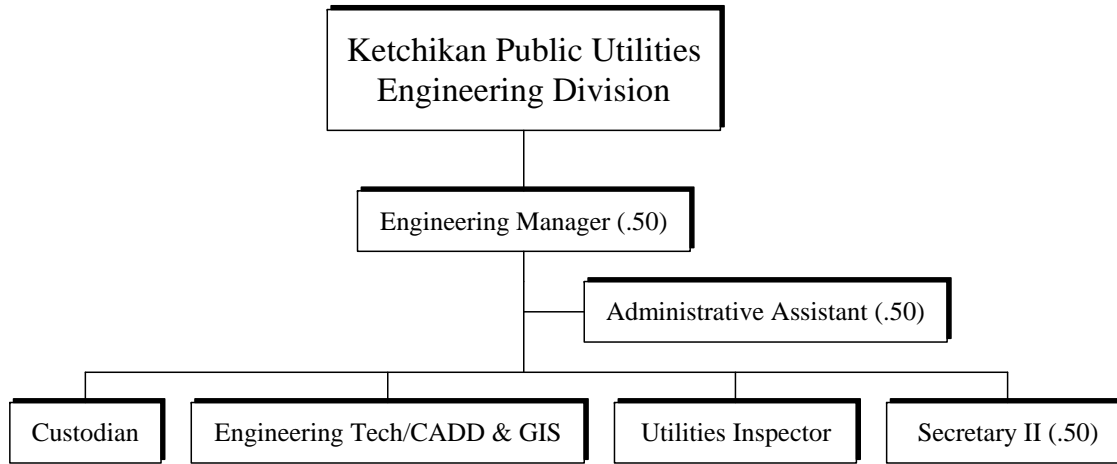


2011 DIVISION SUMMARY



100%





KETCHIKAN PUBLIC UTILITIES

2011 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 2010

- Provided construction inspection services for various KPU and City Engineering projects including the Baranof Reservoir Site Preparation, KPU Water UV Disinfection Facility, Tongass Avenue Phase II Utility Replacement and the 2010 Bituminous Overlay projects.
- Provide data entry of as-built engineering plans and record drawing to create permanent electronic mapping data.
- Maintained water modeling software and mapping data.
- Provided research data and engineering records for project plan development and design.
- Served as backup construction observation staff.
- Provided plan review and specification review of proposed project designs.
- Provided janitorial services for the KPU Administration Building and the Electric Division Headquarters.

GOALS AND OBJECTIVES FOR 2011

- The Engineering Division will continue to provide engineering support 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.

**KETCHIKAN PUBLIC UTILITIES
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ENGINEERING DIVISION**

- Assist with design and solicitation of bids for capital improvement projects as authorized by the City Council.
- Provided construction inspection services for various KPU and City Engineering projects.
- Provide data entry of as-built engineering plans and record drawing to create permanent electronic mapping data.
- Maintain water modeling software and mapping data.
- Provide research data and engineering records for project plan development and design.
- Serve as backup construction observation staff.
- Provide plan review and specification review of proposed project designs.
- Provided janitorial services for the KPU Administration Building and the Electric Division Headquarters.

NARRATIVE

Salaries & Wages (Account 11): \$255,182 - This account provides for the annual wages of the employees of the KPU Engineering Division. The increase above the current year's appropriation is attributable to annual employee step increases and a two percent (2%) cost of living adjustment effective January 1, 2011.

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. No increase above the current year's appropriation has been proposed.

Temporary Salaries (Account 14): \$10,600 - 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 \$15 decrease to the current year's amended appropriation has been proposed.

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ENGINEERING DIVISION

Employee Benefits (Account 16): \$155,100 - This account provides for the cost of FICA, workers' compensation, health insurance, unemployment insurance, pension, vacation, and sick leave benefits of employees of the 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. No increase above the current year's appropriation has been proposed.

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. No increase above 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. No increase above 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. No increase above 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. No increase above 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. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

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ENGINEERING DIVISION

Motor Fuel & Lubricants (Account 38): \$1,500 - This account provides for the cost of fuel and lubricants required by vehicles assigned to the Engineering Division. A \$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 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. No increase above the current year's appropriation has been proposed.

Education & Training (Account 41): \$6,000 - 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 \$2,500 decrease 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. No increase above 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 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): \$1,000 - 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

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ENGINEERING DIVISION

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.

Postage (Account 59): \$2,000 - This account provides for the annual cost of mailings associated with the ordinary operations of the Utility. No increase above 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. No increase above the current year's appropriation has been proposed.

Telecommunication Services (Account 63): \$10,000 - 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 \$4,000 decrease to the current year's 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. No increase above 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
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 515 KPU Engineering

Function: 015 Engineering

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	385,808	433,550	250,823	244,208	242,200	255,182
12 Overtime	6,221	6,296	10,000	10,000	6,200	10,000
14 Temporary Salaries	7,181	9,096	10,000	10,615	10,614	10,600
16 Employee Benefits	217,963	233,067	156,200	168,700	168,400	155,100
25 Expense Allowance	22		500	500	500	500
27 Travel	3,755	7,021	5,950	5,950	3,000	5,950
28 Clothing Allowance	920	1,126	1,250	1,250	1,250	1,250
30 Books & Library Material	2,358	240	500	500	500	500
32 Department Supplies	2,586	1,683	2,000	2,000	1,000	2,000
36 Janitorial Supplies	4,296	3,479	3,000	3,000	3,000	3,000
37 Maintenance Materials	3,069	7,359	3,000	3,000	3,000	3,000
38 Motor Fuel & Lubricants	2,819	1,852	2,200	2,200	1,500	1,500
39 Office Supplies	5,205	6,334	5,000	5,000	5,000	5,000
40 Small Tools & Equipment	85	91	1,000	1,000	1,000	1,000
41 Education & Training	7,238	6,444	8,500	6,000	6,000	6,000
46 Safety Program	19	338	500	500	500	500
50 Advertising & Publishing	561	3,301	2,000	2,000	2,000	2,000
53 Contractual Services	7,826	3,303	7,500	7,500	5,000	7,500
54 Dues & Publications	820	1,458	1,500	1,500	1,000	1,000
58 Maintenance Services	27,396	14,705	18,000	18,000	18,000	18,000
59 Postage	312	413	2,000	2,000	2,000	2,000
61 Rental - Equipment	393		200	200	200	200
63 Telecommunication Services	10,565	11,028	14,000	10,000	10,000	10,000
65 Utilities	40,884	33,973	40,000	40,000	40,000	40,000
68 Licenses & Fees	148	162	200	200	200	200
87 Vehicle O & M	1,787	3,198	2,600	2,600	2,600	2,600
89 Materials & Services	804					
90 Office Equipment	4,315	621	1,000	1,000	1,000	1,000
94 Capital Projects	339,578	120,475				
97 PC Hardware & Software	23,976	13,881	35,000	35,000	35,000	35,000
Division Total	1,108,910	924,494	584,423	584,423	570,664	580,582

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 515 KPU Engineering

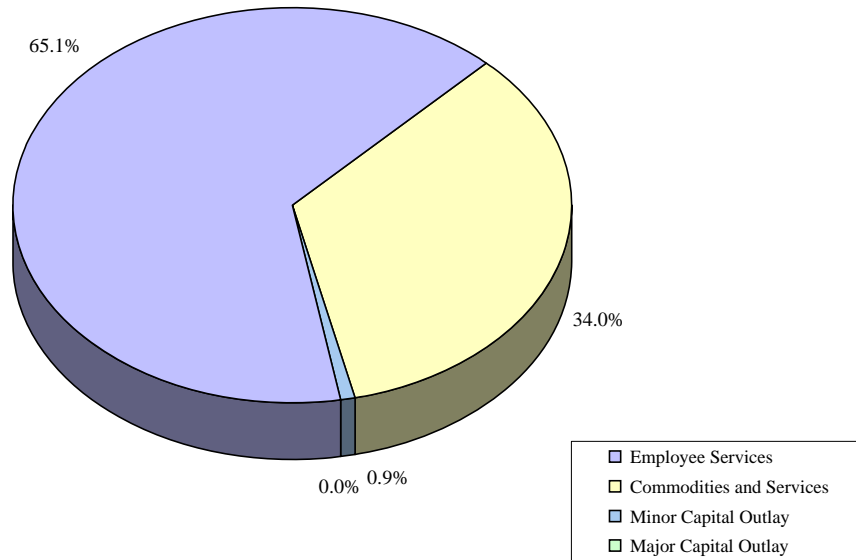
Function: 015 Engineering

DETAIL OF PERSONNEL SERVICES

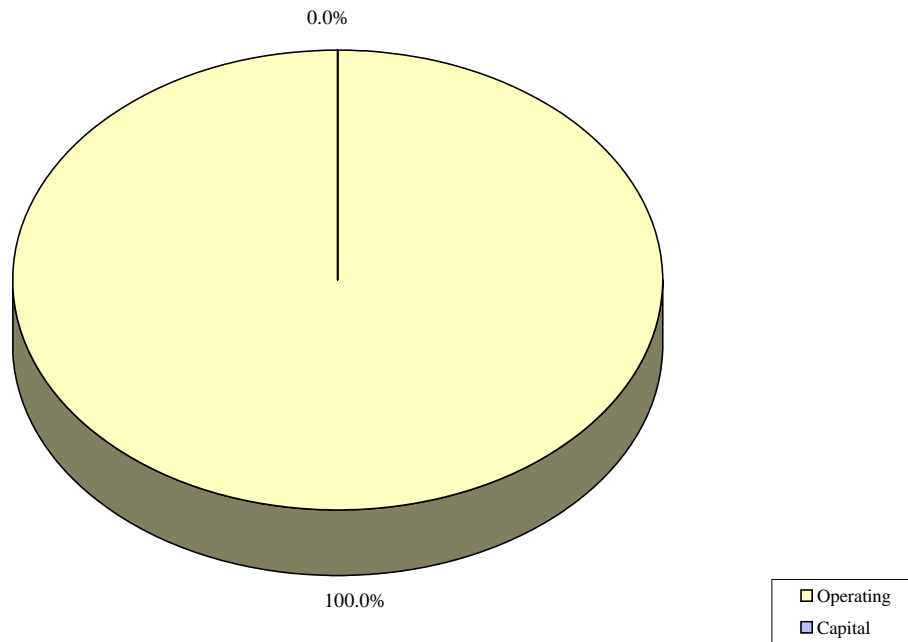
Job Classification	2008	2009	2010		2011	
	Actual	Actual	Adopted	Amended	Number	Salary
Engineering Manager	0.50	0.50	0.50	0.50	0.50	53,560
Administrative Assistant	0.50	0.50	0.50	0.50	0.50	23,015
Senior Project Engineer	1.00	1.00				
Utilities Inspector	1.00	1.00	1.00	1.00	1.00	68,655
Engineering Tech-KPU/CADD & GIS	2.00	2.00	1.00	1.00	1.00	52,891
Secretary II	0.50	0.50	0.50	0.50	0.50	22,500
GIS Analyst	1.00	1.00				
Custodian-KPU	1.00	1.00	1.00	1.00	1.00	34,561
TOTAL	7.50	7.50	4.50	4.50	4.50	255,182

SALES, MARKETING & CUSTOMER SERVICE

2011 EXPENDITURES



2011 DIVISION SUMMARY



Ketchikan Public Utilities
Sales, Marketing & Customer Service Division

General Manager

Assistant General Manager

Sales, Marketing & Customer Services Division Manager

Sales & Marketing Manager (2.0)

Customer Service Manager

IPTV Content Specialist

Credit Coordinator
Billing System Analyst
Customer Sales Representatives (9.0)

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION**

MISSION STATEMENT

The Sales, Marketing & Customer Service Division is responsible for marketing and selling Telecommunication services and products and serving and meeting the needs of all Utility customers.

ACCOMPLISHMENTS IN 2010

- Year-to-date 2010, the division has achieved 18%, 15%, 48%, 13% and 5% account growth in IPTV, Set Top Box, HD, PVR and DSL services respectively. Compared to 2009, the division has achieved 31%, 30% and 160% growth in IPTV, STB and HD services respectively and 7% growth in DSL accounts. This growth is primarily attributable to the creation of a separate Sales, Marketing & Customer Service Division, the division's relocation to the Plaza Mall, the sales incentive program, the advertising program, local TV content-programming, and focus upon sales training and fostering a competitive sales culture.
- Year-to-date 2010, the division has achieved 59% and 44% growth respectively in IP Hosted system and IP Hosted telephone 'station' sales and leases. Compared to 2009, results are 59% and 67%. IP Hosted is a powerful business –telephone –system, which provides 'leading edge' service to small, medium and large businesses. Selling Hosted IP is a key strategic initiative, ensuring long term retention of KPU's critical business customers. Success in 2010 was a direct result of the division's Marketing Managers 'closing' sales. This would not have been possible without excellent coordination and assistance offered by the Telecommunication Division's engineers, managers and technicians.
- Beyond Hosted IP sales, Marketing Managers continued to sign long-term agreements with strategic business customers and continued to 'hold' approximately 92% of the local business customer lines/market. However, the division also continued to receive competitive pressure for local residential telephone lines, as well as natural dial-tone line erosion due to wireless competition.
- Sales and Marketing Managers served as co-supervisors of the Customer Sales Representative (CSR) staff to ensure a 'sales' focus in interviewing new hires, coaching and counseling CSRs for sales improvement and assisting CSRs with business customers and higher level problem solving.
- The division continued to recruit and maintain a staff of employees with sales skills and/or the desire to become skilled in selling and producing sales results.
- Hiring Solutions assisted the division in ensuring candidates for Customer Sales Representative positions possess the inherent sales skills and/or attributes required in a sales position.

**KETCHIKAN PUBLIC UTILITIES
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SALES, MARKETING & CUSTOMER SERVICE DIVISION**

- The division contracted with Measure-X to assist with sales training, sales skill reviews and to conduct ‘mystery shopping’ to ensure CSR’s ongoing utilization of proven sales practices and to test for product and process knowledge.
- The division contracted with The Pivot Group to conduct monthly customer satisfaction surveys of ‘new installs’ and recent trouble-repairs to obtain objective feedback and make course corrections as necessary to improve service.
- The division’s sales incentive program continued to effectively encourage and reward sales results.
- In-house training, supervision, coaching, counseling and other actions maintained and reinforced a sales culture within the Sales, Marketing & Customer Service Division.
- The division coordinated with the Telecommunications Division to ensure successful implementation and ongoing refinement of automated CSR ‘note generators’ and ‘bandwidth calculators’ which reduce the complexity and increase the accuracy of service order preparation.
- The division coordinated with the Telecommunications Division to ensure proper utilization of the new ‘trouble desk’ RT (trouble reporting and tracking system). This tool has been invaluable in enabling CSRs to provide a greatly improved level of service and information when assisting customers in person at the Plaza Mall. The new system has exponentially improved the timeliness and accuracy of direct CSR-customer communication relative to status of repair efforts, research of previous repair efforts and input of new repair reports.
- Throughout 2010, the division continued to utilize local programming on KPU CommVision to broadcast art shows, gardening, coverage of special local meetings, Historic Ketchikan presentations, many local musical performances and expanded coverage of the 4th of July celebrations. The division produced many special features on local businesses and local personalities. KPU has used local programming as a valuable competitive service differentiator. KPU’s local content programs represent a unique product that attracts and retains customers and builds and cements relationships with local businesses. In 2010, this effort increasingly focused upon broader coverage of high school sports.
- In 2010, the division increased the efficiency, reliability and quality of its video-production operations and equipment via the acquisition of a new camera and new computer server for editing video content. These steps greatly improved the video clarity and quality of local content at the customer’s home as well as streamlined timelines for airing the content.
- The division implemented ‘the local weather channel 612’. This unique channel features fully automated 24-hour ‘real time’ local wind, temperature and barometric information. The channel also offers both in audio and video the latest marine weather forecast. Other features include SE AK, Alaska statewide and national weather status and off shore buoy wind speed

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION**

and temperature information. The channel's slide rotation also includes a real time photo from the division's new web cam, located near Berth 3 in downtown Ketchikan. The division uses the new weather channel as a competitive differentiator, as well as a source of paid ad revenue.

- 'Web Cam Ketchikan', now operating at www.webcamketchikan.com, is the division's new Internet web cam service. KPU's new web cam features Ketchikan's first 'high def' live camera. The camera and website offer visitors the opportunity to view medium, large and 'Alaska size' real-time images of Berth 3, 2, and 1 and part of downtown Ketchikan. During the cruise ship season the website showcases visiting tour ships. The division uses the site as a source of paid advertising revenue and as a 'sticky' tool in selling and retaining business customer accounts. Additional cameras are planned for future installations.
- The division was recognized by OPASTCO for excellence in advertising. In its biennial nationwide competition, OPASTCO awarded KPU 1st place in multi-media advertising for KPU's "Catchachicken" radio campaign. KPU's radio campaign is focused upon creating a 'totally local, simply brilliant' image and building KPU product awareness.

GOALS AND OBJECTIVES FOR 2011

- 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.
- 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.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION**

- Utilize creative and effective advertising to create and maintain KPU's image as 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.
- Expand and refine KPU 'local TV content' to include across the board coverage of local sports.
- Utilize the new VOD system to expand the availability of local programming.
- Achieve a minimum of 10% growth in all primary-measure video products and services.
- Expand web cam coverage to drive advertising revenue and retain business accounts.

BUDGET NARRATIVE

Salaries and Wages (Account 11): \$791,149 - This account provides for the annual salaries and wages of the employees of the Sales, Marketing and Customer Service Division. The increase above the current year's appropriation is attributable to annual employee step increases and a two percent (2%) cost of living adjustment for represented and non-represented employees effective January 1, 2011.

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 appropriation has been proposed.

Employee Benefit Costs (Account 16): \$515,300 - 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): \$18,000 - This account provides for the cost of an employee incentive program for the employees of the Sales, Marketing & Customer Service Division. An \$8,000 decrease to the current year's 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. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION**

Books & Library Materials (Account 30): \$300 - This account provides for technical books and reference publication. No increase above the current year's appropriation has been proposed.

Department Supplies (Account 32): \$17,000 - 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 \$23,160 decrease to the current year's original 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 Plaza location. No 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. No 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 other minor office supplies less than \$500. No increase above the current year's 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. This account includes semi-annual MeasureX CSR training, training reviews, and coaching and counseling sessions. No increase above the current year's appropriation has been proposed.

Uniforms/Clothing (Account 42): \$3,600 – This account provides for logo wear for KPU mall-store employees. KPU-branded logo wear is utilized to ensure sales personnel consistently present a professional and uniform appearance when working with customers and the general public. Logo wear purchases were previously budgeted and recorded in Account 32 – Department Supplies. A \$2,400 decrease to the current year's amended appropriation has been proposed.

Advertising & Publishing (Account 50): \$228,000 - 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 \$10,000 decrease to the current year's original 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. This item includes participation in Enchanted Forest, Business Expo and Blueberry Festival. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION**

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. No increase above the current year's 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 appropriation has been proposed.

Maintenance Services (Account 58): \$12,200 - This account provides for the cost of equipment maintenance and service contracts, including janitorial expenses at the Plaza location. No increase above the current year's amended appropriation has been proposed.

Postage (Account 59): \$71,900 - This account provides for the cost of mailing all utility billings. A \$7,000 decrease to the current year's 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. The account includes monthly and bi-annual Pivot Group surveys to assess customer satisfaction levels and KPU performance levels. This account includes consulting and 'mystery shopping' services provided by MeasureX to ensure consistent utilization of proven CSR sales skills. This account also includes pre-employment reviews provided by Hiring Solutions to pre-screen CSR applicants for skill and attribute suitability. No increase above the current year's 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. No increase above the current year's appropriation has been proposed.

Telecommunications Service (Account 63): \$24,100 - 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. An \$8,200 increase above the current year's original appropriation has been proposed.

Utilities (Account 65): \$6,000 - This account provides for the cost of utilities at the Ketchikan Plaza Mall. No increase above the current year's 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. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
SALES, MARKETING & CUSTOMER SERVICE DIVISION

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. No increase above the current year's appropriation has been proposed.

Materials & Services (Account 89): \$6,500 - This account provides for the cost of miscellaneous materials and services for operations. A \$2,000 decrease to the current year's original 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. No increase above the current year's appropriation has been proposed.

Personal Computer Hardware and Software (Account 97): \$16,000 - This account provides for the cost of replacement computers and monitors. This account also provides for the purchase of a second high quality video camera for local television content filming (\$10,000) to ensure the division can film local content at two simultaneous venues. A \$10,000 decrease to the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 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	2008	2009	2010		2011	
	Actual	Actual	Adopted	Amended	Number	Salary
Sales, Marketing & CS Manager		1.00	1.00	1.00	1.00	101,460
Marketing Manager		2.00	2.00	2.00	2.00	126,932
Customer Service Manager	1.00	1.00	1.00	1.00	1.00	60,968
IPTV Content Spec/Marketing Rep		1.00	1.00	1.00	1.00	51,300
Credit Coordinator	1.00	1.00	1.00	1.00	1.00	54,979
Billing System Analyst	1.00	1.00	1.00	1.00	1.00	47,036
Customer Sales Rep III	3.00	3.00	3.00	3.00	3.00	123,732
Customer Sales Rep II	4.00	4.00	4.00	4.00	4.00	150,847
Customer Sales Rep I	2.50	2.50	2.00	2.00	2.00	73,895
TOTAL	12.50	16.50	16.00	16.00	16.00	791,149

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

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Electric 571

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	571 Electric	12,053,248	12,271,634	11,611,693	12,288,465	11,515,611	12,444,024
	Total Operating	12,053,248	12,271,634	11,611,693	12,288,465	11,515,611	12,444,024
	Capital						
-	571 Electric	3,807,527	3,259,454	9,613,576	9,337,576	1,475,334	17,162,533
		15,860,775	15,531,088	21,225,269	21,626,041	12,990,945	29,606,557

EXPENDITURE SUMMARY

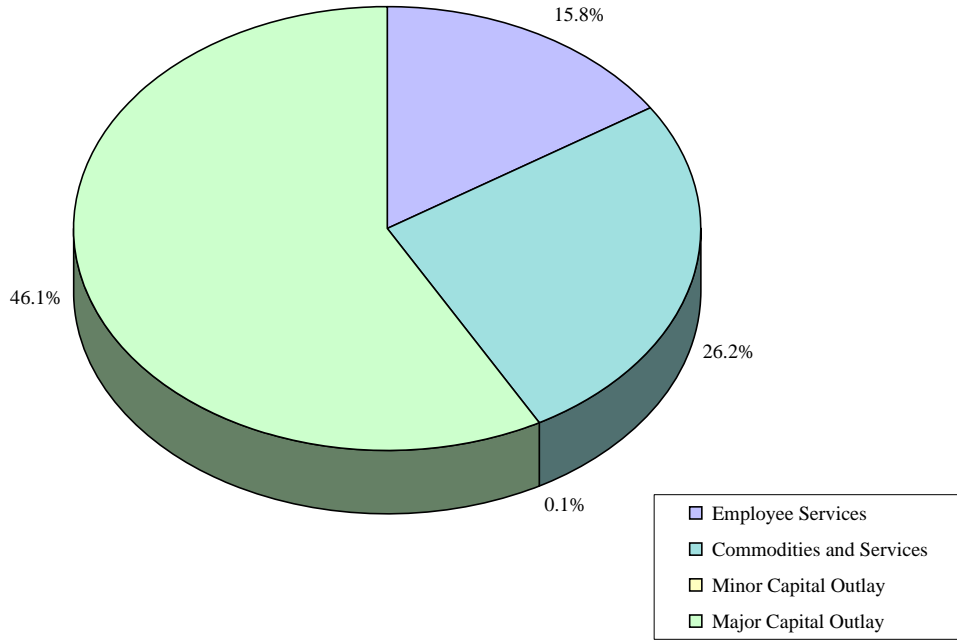
Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	3,549,896	3,640,882	4,537,963	4,484,735	4,213,000	4,671,209
Commodities and Services	8,483,417	8,594,757	7,038,730	7,768,730	7,272,611	7,747,815
Minor Capital Outlay	19,935	35,995	35,000	35,000	30,000	25,000
Total Operating	12,053,248	12,271,634	11,611,693	12,288,465	11,515,611	12,444,024
Capital						
Employee Services	346,475	410,332	78,000	200,000	200,000	78,000
Commodities and Services	3,461,052	2,849,122	9,535,576	9,137,576	1,275,334	17,084,533
Total Capital	3,807,527	3,259,454	9,613,576	9,337,576	1,475,334	17,162,533
	15,860,775	15,531,088	21,225,269	21,626,041	12,990,945	29,606,557

PERSONNEL SUMMARY

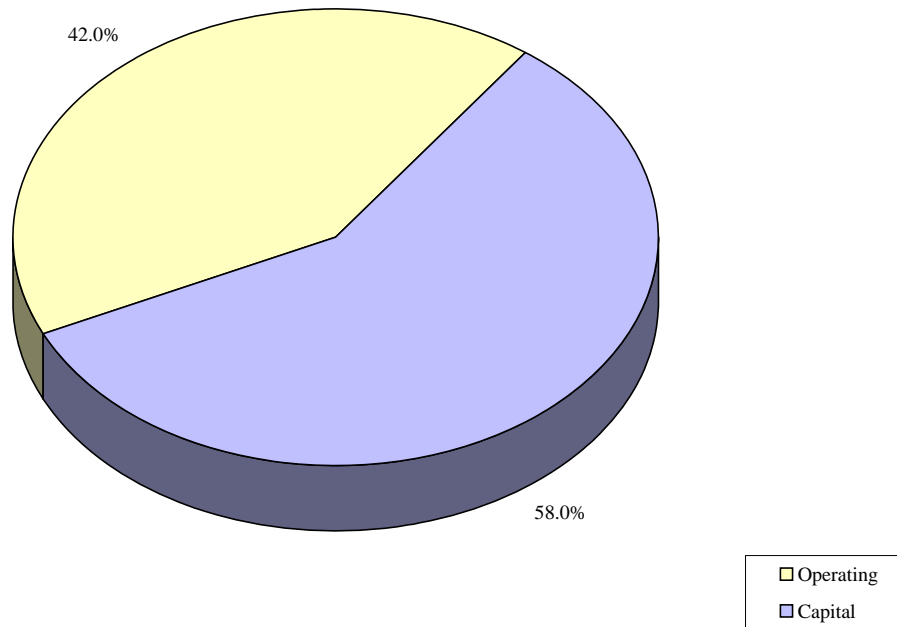
Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Electric	39.00	39.00	38.09	39.00	39.00	39.00
411	Swan Lake - Operations	3.00	3.00	3.00	3.00	3.00	4.00
		42.00	42.00	41.09	42.00	42.00	43.00

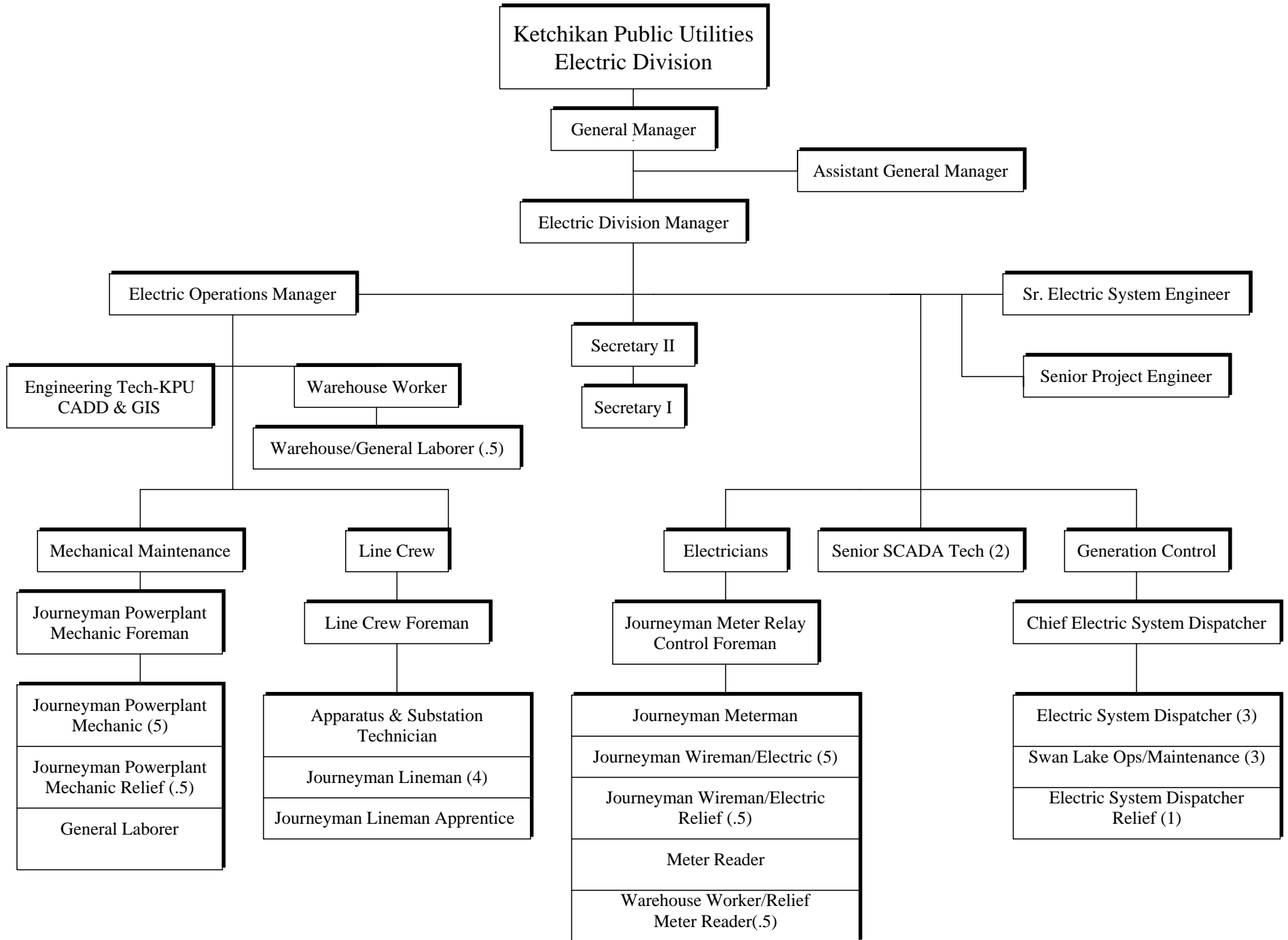
ELECTRIC

2011 EXPENDITURES



2011 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES 2011 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.
- Work constructively with regional and Alaska energy agencies and organizations to support operation and development of economical regional generation and transmission assets.
- Keep electric rates among the lowest in Alaska.

ACCOMPLISHMENTS IN 2010

- Closed significant gap in OSHA required training to be completed in early 2011.
- Integrated SEAPA Swan Lake/Lake Tye Intertie with KPU Electric operations to minimize 2010 diesel surcharge to customers.
- Completed the rehabilitation of Bailey Unit #2 - 3.5 MW diesel generator.
- Initiated final design and obtained full construction funding for the replacement of Bethe Substation in 2011.
- Obtained a \$1 million designated legislative grant towards the cost of constructing the Whitman Lake Hydroelectric Project and applied for an AEA Round IV Renewable Energy Grant to support the same.

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ELECTRIC DIVISION

- Developed and implemented load growth monitoring and forecasting tools.
- Completed the FERC required functional exercise of the Ketchikan Lakes Emergency Action Plan in September.
- Developed and implemented PCB management plan and modified Ketchikan yard storage to minimize risk of transformer oil spills.
- Silvis breaker installation completed for the Beaver Falls upper switchyard to provide added protection for the 34.5 kV sub-transmission line between Beaver Falls and Silvis.
- Implemented VHF radio communication between Bailey and Swan Lake to replace microwave communication lost with Shoal Cove decommissioning.
- On-site refurbishment of the Ketchikan transformer planning and preparation is complete for work in the fall of 2010, which will avoid the cost of a replacement transformer.
- The preliminary engineering study of Pennock, Gravina and a new airport circuit is on track for completion in the fall of 2010 to support future planning and development.
- Engineering and planning completed for modifications to Beaver Falls generator circuits to bring potential fault currents back safely within breaker ratings by the end of 2010.
- A rate structure study was begun to support future demand side response to help mitigate the need for future generating plant development and to support cost of service modeling for improved financial planning.

GOALS AND OBJECTIVES FOR 2011

The KPU Electric Division will continue to focus on specific safety, reliability and efficiency projects and initiatives in FY 2011. An emphasis will be placed on contingency planning for potential events that could have significant, long lasting impacts on Ketchikan's energy distribution system. Further data for load forecasting will be obtained during the 2010-2011 heating season to support KPU and regional generation and transmission resource planning (Integrated Resource Plan).

- Complete closing the gap on OSHA required training.
- Obtain funding to start construction of Whitman Lake Hydroelectric Project in 2011.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ELECTRIC DIVISION**

- Complete design and bid packages for Whitman Lake Hydroelectric Project in early 2011 to support start of construction mid-year.
- The rate structure study will be advanced and findings and recommendations submitted to the City Council for consideration toward demand management to help defer the future cost of additional generation.
- Continue data collection and process improvement for measuring and forecasting load growth to support resource planning.
- Initiate development of a contingency plan to minimize the impact and expedite return to service from a catastrophic event impacting distribution or the Bailey 115 kV/34.5 kV substation.

NARRATIVE

Salaries and Wages (Account 11): \$2,944,309 - This account provides for the cost of the annual wages of the employees of the Electric Division. The increase above the current year's appropriation is attributable to annual employee step increases and a two percent (2%) cost of living adjustment for represented and non-represented employees effective January 1, 2011.

Overtime (Account 12): \$164,000 - 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 amended appropriation has been proposed.

Temporary Salaries (Account 14): \$31,600 - 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. A \$600 increase above the current year's appropriation has been proposed.

Employee Benefit Costs (Account 16): \$1,609,300 - 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): \$15,000 - 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. A \$5,000 decrease to the current year's 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

2011 ANNUAL BUDGET

ELECTRIC DIVISION

Ketchikan Public Utilities and the International Brotherhood of Electrical Workers, Local 1547. No increase above the current year's appropriation has been proposed.

Travel (Account 27): \$18,275 - This account provides for the cost of travel expenses associated with business-related activities of the Electric Division. No increase above 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 per year exclusively for the purchase of fire resistant garments. No increase above the current year's appropriation has been proposed.

Generation Diesel Fuel & Lubricants (Account 29): \$225,000 - This account provides for the cost of diesel fuel associated with electric generation produced by the Bailey Power Plant and lubricating oil. \$25,000 is anticipated for routine diesel maintenance and operation needs; \$150,000 is anticipated to cover one week of SEAPA transmission and generation maintenance outages; and \$50,000 is required to cover EPA and State required emissions testing during 2011 (each unit, 8 hours at full load is assumed). A \$25,000 increase above the current year's amended 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 appropriation has been proposed.

Office Supplies (Account 39): \$14,000 - 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 amended 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 technical, mandated OSHA, DEC and engineering courses. No increase above the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ELECTRIC DIVISION

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.

Safety Program (Account 46): \$24,000 - 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 meet the initial purchase of fire resistant clothing for the new lineman and fire resistant rain gear for the wireman (per contract). No increase above the current year's amended appropriation has been proposed.

Advertising and Publishing (Account 50): \$15,000 - 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. A \$10,000 decrease to the current year's 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): \$275,000 - 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); substation vegetation management (\$35,000); State and EPA required diesel emissions testing and regulatory support (\$100,000); Bailey diesel storage tank inspection (\$15,000); and miscellaneous items such as concrete repair, Silvis winter helicopter access, pole setting, line patrols, cleaning services, oil sampling/testing and RTU support (\$25,000). A \$143,000 increase above the current year's appropriation has been proposed.

Dues & Publications (Account 54): \$20,000 - 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 (\$11,000), APPA \$4,000) and SEAPRO training and support (\$4,000). These benefit the Utility by providing training opportunities and industry news and legislative actions. A \$5,000 decrease to the current year's appropriation has been proposed.

Maintenance Services (Account 58): \$100,000 - This account provides for the cost of routine and non-routine maintenance of the Electric Division's office equipment (\$2,000); the SCADA

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ELECTRIC DIVISION

maintenance agreement (\$50,000); capacitor bank controller maintenance (\$15,000); GIS maintenance (\$12,000); Milsoft Windmil software support (\$3,000); and miscellaneous services required by the division (\$18,000). A \$42,000 decrease to the current year's appropriation has been proposed.

Postage (Account 59): \$1,000 - This account provides for the cost of mailing division correspondence, packages and special/express mail during the course of the year. A \$715 decrease to the current year's appropriation has been proposed.

Professional Services (Account 60): \$250,000 - 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 2011 include consultant support to develop a penstock safety program (\$30,000); outside safety training to improve Electric's Safety program and relieve internal personnel to focus more on core job responsibilities (\$50,000); continuation of consultant support for the rate structure study (\$40,000); FERC required independent consultant for Whitman Dam Part 12 inspection and PFMA (\$60,000); catastrophic event contingency plan development for loss of distribution or Bailey substations (\$50,000); and protective relaying consultation/coordination (\$20,000). A \$50,000 increase above 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 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. No increase above the current year's 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): \$50,000 - This account provides for the cost of the licensing fees charged by the Federal Energy Regulatory Commission (FERC), ADEC Bailey Title V, vehicle registrations, etc. A \$4,000 decrease to the current year's appropriation has been proposed.

Purchased Power (Account 69): \$6,324,000 - The 2010 Electric Division Budget anticipates power purchases from SEAPA totaling 93,000,000 kWh. This assumes no diesel generation. The

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

ELECTRIC DIVISION

estimate pre-supposes continuation of the wholesale power rate at \$0.068 per kWh. A \$674,000 increase above the current year's original appropriation has been proposed.

Purchased Power Rebate (Account 70): (\$300,000) – This account provides for the annual rebate for purchased power from SEAPA. The rebate program started in 2004 and was suspended in 2007. The program was restored in 2010.

Vehicle Operation & Maintenance (Account 87): \$80,000 - This account provides for the cost of maintaining the Electric Division's vehicle fleet. A \$5,000 increase above the current year's appropriation has been proposed.

Materials & Services (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): \$2,500 - This account provides for the cost of office furniture that needs to be replaced throughout the year due to failure. A \$5,000 decrease to the current year's appropriation has been proposed.

Vehicles & Moving Equipment (Account 92): \$275,000 - 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:

185-32 Digger Derrick (1995)	\$275,000
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A \$215,000 increase above the current year's appropriation has been proposed.

Operating Equipment (Account 93): \$174,100 - Purchase of new or replacement equipment for the meter shop, warehouse and SCADA department. This equipment will be used for the operation and maintenance of electrical service.

Substation & Powerhouse Electronic Meters	\$15,000
Recorder Equipment	\$10,000
Current & Potential Transformers	\$15,000
Test Indication Equipment Repair & Calibration	\$15,000
Generation & Powerhouse Spare Parts	\$20,000
Data Radio Equipment	\$10,600
Pallet Racks	\$20,000
Flagging Equipment	\$11,000
Meters & Replacement Parts	\$50,000
Transmission/Distribution Apparatus Tagging Equipment	\$ 7,500

A \$47,080 increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
ELECTRIC DIVISION**

Capital Projects (Account 94): \$16,635,433 - This account provides for the cost of funding all direct costs associated with approved capital projects. A \$7,286,877 increase above the current year's original appropriation has been proposed.

PC Hardware and Software (Account 97): \$15,000 - This account provides for the acquisition of hardware and software required for the Electric Division to manage its infrastructure capabilities. A \$5,000 decrease to the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 571 Electric

Function: 071 Electric

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	2,366,338	2,392,570	2,843,063	2,830,138	2,656,200	2,944,309
12 Overtime	168,814	222,722	114,000	164,000	158,400	164,000
14 Temporary Salaries	21,705	23,473	31,000	31,000	23,300	31,600
16 Employee Benefits	1,339,514	1,412,449	1,627,900	1,659,597	1,575,100	1,609,300
25 Expense Allowance	15,106	22,688	20,000	20,000	20,000	15,000
26 Medical Exams	225	225	3,000	3,000	3,000	3,000
27 Travel	18,740	21,900	18,275	18,275	18,275	18,275
28 Clothing Allowance	4,699	5,365	7,740	7,740	7,740	7,740
29 Generation Fuel & Lubricants	3,318,611	2,366,327	150,000	200,000	200,000	225,000
33 Heating Fuel	7,086	3,655	10,000	10,000	10,000	10,000
36 Janitorial Supplies	89	491	1,000	1,000	1,000	1,000
38 Motor Fuel & Lubricants	52,037	36,407	48,100	48,100	48,100	48,100
39 Office Supplies	10,336	12,993	12,000	14,000	14,000	14,000
40 Small Tools & Equipment	26,370	28,113	28,100	28,100	28,100	28,100
41 Education & Training	26,864	31,319	43,600	43,600	43,600	43,600
45 Engineering Supplies	1,119		1,500	1,500	1,500	1,500
46 Safety Program	13,292	24,713	18,000	24,000	24,000	24,000
50 Advertising & Publishing	33,297	36,363	25,000	25,000	15,000	15,000
51 Community Promotion		5,000				
52 Line Extension Contribution	10,000	2,500	7,500	7,500	2,500	7,500
53 Contractual Services	76,243	215,052	132,000	132,000	100,000	275,000
54 Dues & Publications	19,226	18,675	25,000	25,000	20,000	20,000
58 Maintenance Services	42,967	15,816	142,000	142,000	50,000	100,000
59 Postage	438	577	1,715	1,715	1,000	1,000
60 Professional Services	91,632	232,060	200,000	200,000	125,000	250,000
61 Rentals - Equipment	215	1,000	6,000	6,000	3,000	6,000
62 Rentals - Space	10,080	23,280	20,500	20,500	20,500	20,500
63 Telecommunication Services	109,884	114,384	120,000	120,000	120,000	120,000
65 Utilities	36,549	23,694	37,000	37,000	37,000	37,000
68 Licenses & Fees	43,227	60,003	54,000	54,000	50,000	50,000
69 Purchased Power	4,477,324	5,205,128	5,650,000	6,330,000	6,330,000	6,324,000
70 Purchased Power Rebate					(395,204)	(300,000)
83 Reimbursable Credit	(222,301)	(220,564)	(120,800)	(120,800)		
87 Vehicle O & M	56,864	71,189	75,000	75,000	75,000	80,000
89 Materials & Services	213,198	238,904	310,000	302,000	302,000	310,000
90 Office Equipment & Furniture	1,285	1,469	7,500	7,500	7,500	2,500
92 Vehicles & Moving Equipment	50,919	17,337	60,000	60,000	41,000	275,000
93 Operating Equipment	3,352	17,516	127,020	127,020	127,000	174,100
94 Capital Projects	3,406,781	2,814,269	9,348,556	8,950,556	1,107,334	16,635,433
97 PC Hardware & Software	8,650	32,026	20,000	20,000	20,000	15,000
Division Total	15,860,775	15,531,088	21,225,269	21,626,041	12,990,945	29,606,557

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 571 Electric

Function: 071 Electric

DETAIL OF PERSONNEL SERVICES

Job Classification	2008	2009	2010		2011	
	Actual	Actual	Adopted	Amended	Number	Salary
ADMINISTRATION						
Electric Division Manager	1.00	1.00	1.00	1.00	1.00	114,168
Assistant Electric Division Manager		1.00				
Senior Project Engineer		1.00	1.00	1.00	1.00	90,987
Electric Operations Manager	1.00		1.00	1.00	1.00	79,577
Sr. Electric System Engineer	1.00		1.00	1.00	1.00	93,737
Secretary II-Electric	1.00	1.00	1.00	1.00	1.00	44,999
Secretary I-Electric	1.00	1.00	1.00	1.00	1.00	37,637
GENERATION						
Chief Electric System Dispatcher	1.00	1.00	1.00	1.00	1.00	86,829
Electric System Dispatcher	3.00	3.00	3.00	3.00	3.00	226,359
Electric System Dispatcher-Relief	1.50	1.50	1.00	1.00	1.00	75,604
SCADA						
Senior SCADA Technician	2.00	2.00	2.00	2.00	2.00	160,711
LINE CREWS						
Line Crew Foreman	1.00	1.00	1.00	1.00	1.00	99,619
Apparatus & Substation Tech	1.00	1.00	1.00	1.00	1.00	93,934
Journeyman Lineman	4.00	4.00	4.00	4.00	4.00	360,372
Lineman Apprentice	1.00	1.00	0.09	1.00	1.00	44,172
ELECTRICIANS						
Meter Relay Control Foreman	1.00	1.00	1.00	1.00	1.00	84,829
Journeyman Meterman	1.00	1.00	1.00	1.00	1.00	75,053
Journeyman Wireman/Electric	5.00	5.00	5.00	5.00	5.00	375,265
Journeyman Wireman/Electric-Relief	0.50	0.50	0.50	0.50	0.50	37,827
Meter Reader	1.00	1.00	1.00	1.00	1.00	47,969
Warehouse Wrkr-Relief Meter Reader	0.50	0.50	0.50	0.50	0.50	29,713
MAINTENANCE						
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	1.00	84,079
Journeyman Powerplant Mechanic	5.00	5.00	5.00	5.00	5.00	372,765
Journeyman Powerplant Mechanic-Relief	1.00	1.00	0.50	0.50	0.50	37,277
SWAN LAKE						
Foreman	1.00	1.00	1.00	1.00	1.00	84,579
Maintenance & Operations Person	2.00	2.00	2.00	2.00	3.00	225,159
OTHER						
Warehouse Worker	1.00	1.00	1.00	1.00	1.00	66,894
Warehouse/General Laborer	0.50	0.50	0.50	0.50	0.50	29,713
Engineering Tech-KPU/CADD & GIS		1.00	1.00	1.00	1.00	56,222
General Laborer	2.00	1.00	1.00	1.00	1.00	37,998
Subtotal	42.00	42.00	41.09	42.00	43.00	3,254,047
Less Personnel Allocated Directly to Swan Lake:						
Foreman	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(84,579)
Maintenance & Operation Person	(2.00)	(2.00)	(2.00)	(2.00)	(3.00)	(225,159)
TOTAL	39.00	39.00	38.09	39.00	39.00	2,944,309

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
CAPITAL EXPENDITURES**

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

2011 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2011 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
Whitman Lake Hydroelectric Plant	B-2	10,656,060							10,656,060	
Bethe Substation	B-3	4,709,020							4,709,020	
SCADA Upgrade	B-4	160,000							160,000	
Ketchikan Tunnel Penstock Valves Replace	B-5	50,000							50,000	
Bailey Tank Farm Security Fence	B-6	25,000							25,000	
Downtown Underground	B-7	100,000							100,000	
Vehicles & Moving Equipment	B-8	275,000				275,000				
Ward Cove Sectionalizing Breaker (34.5 kV)	B-9	30,000								30,000
Transmission & Distribution Switches	B-10	25,000								25,000
Bailey Bi-Directional Metering	B-11	35,000								35,000
Regulator Controllers	B-12	30,000								30,000
Alaska Ship & Drydock Metering	B-13	35,000							20,000	15,000
Electric Warehouse Roof and Siding	B-14	250,000							250,000	
Additional Projects	B-15	150,000							150,000	
Operating Equipment	B-16	174,100					174,100			
Transformer Purchase	B-17	100,000								100,000
Reimbursable Projects	B-18	158,000	52,000	26,000						80,000
Pennock-KIA Upgrades	B-19	150,000								150,000
Raptor Protection Program	B-20	5,000								5,000
Breaker Changes driven by SC Study	B-21	22,923							22,923	
Ketchikan Generator Step-up Transformer	B-22	10,240							10,240	
Beaver Falls Unit 1 Exciter	B-23	12,190							12,190	
		17,162,533	52,000	26,000		275,000	174,100		16,165,433	470,000

Total Object 94 16,635,433

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DIVISION SUMMARY

Division: Telecommunications 572

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
	Operating						
410	572 Regulated	5,858,386	5,776,263	6,100,645	6,505,507	6,414,286	6,393,139
413	572 Non-regulated	162,758	105,878	156,843	156,843	156,843	148,170
414	572 ISP	1,071,308	1,071,308	1,511,568	1,511,568	1,511,568	1,621,268
414	572 DSL TV	758,358	1,288,326	1,006,490	1,006,490	1,006,490	1,284,170
	Total Operating	7,850,810	8,241,775	8,775,546	9,180,408	9,089,187	9,446,747
	Capital						
415	572 Telecom Regulated	3,556,611	3,451,374	2,175,000	2,175,000	2,101,650	2,491,136
420	572 Telecom Non-Reg			325,000	325,000	325,000	273,000
	Total Capital	3,556,611	3,451,374	2,500,000	2,500,000	2,426,650	2,764,136
		11,407,421	11,693,148	11,275,546	11,680,408	11,515,837	12,210,883

EXPENDITURE SUMMARY

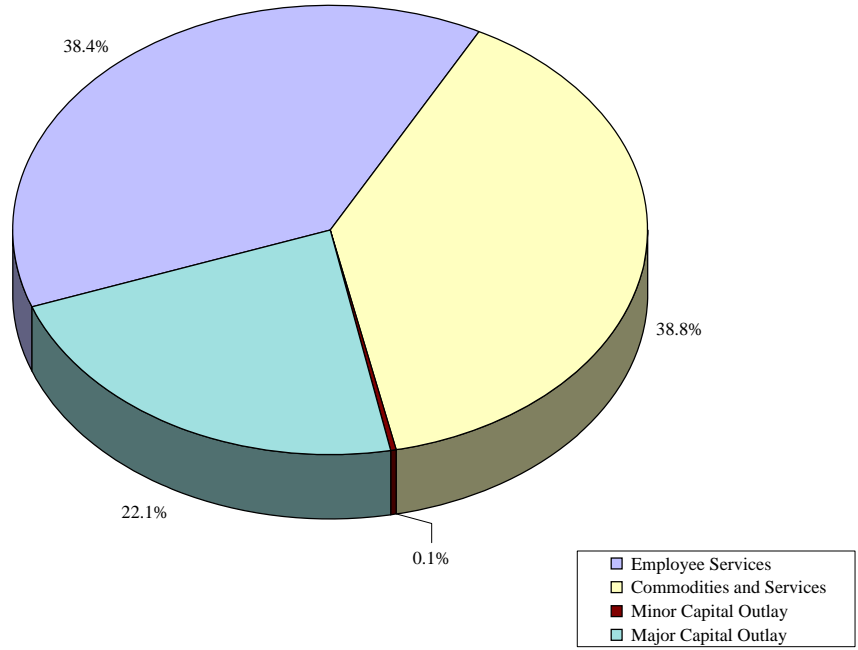
Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	3,765,816	4,096,763	4,425,164	4,730,026	4,511,925	4,693,247
Commodities and Services	4,065,399	4,129,727	4,338,682	4,438,682	4,565,562	4,741,800
Minor Capital Outlay	19,594	15,285	11,700	11,700	11,700	11,700
Total Operating	7,850,810	8,241,775	8,775,546	9,180,408	9,089,187	9,446,747
Capital						
Employee Services	480,089	399,924	262,125	262,125	262,125	340,300
Commodities and Services	3,076,522	3,051,450	2,237,875	2,237,875	2,164,525	2,423,836
Total Capital	3,556,611	3,451,374	2,500,000	2,500,000	2,426,650	2,764,136
	11,407,421	11,693,148	11,275,546	11,680,408	11,515,837	12,210,883

PERSONNEL SUMMARY

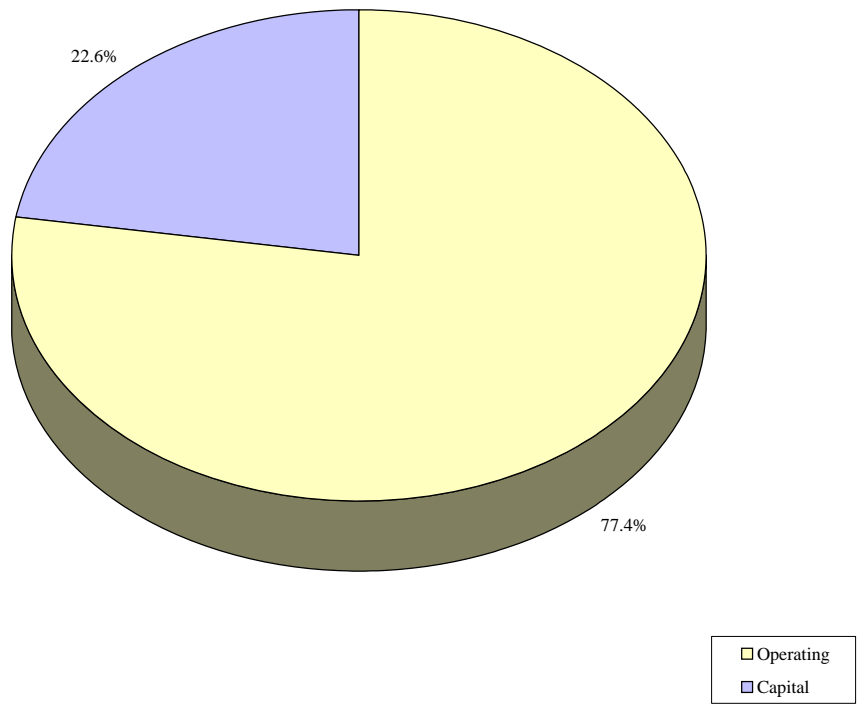
Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Telecommunications	47.00	41.00	38.27	41.00	41.00	40.00
		47.00	41.00	38.27	41.00	41.00	40.00

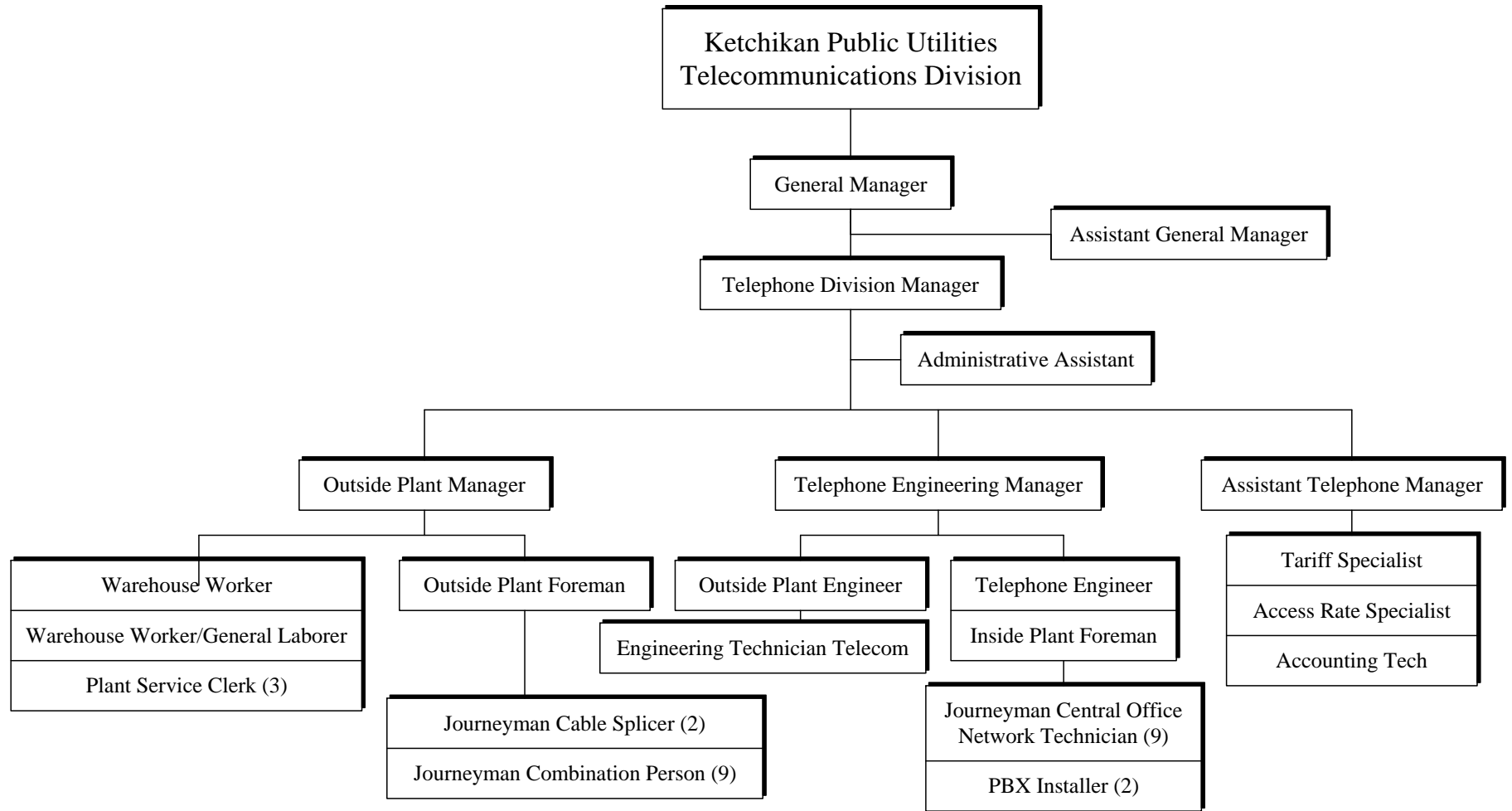
TELECOMMUNICATIONS

2011 EXPENDITURES



2011 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES 2011 ANNUAL BUDGET KPU TELECOMMUNICATIONS

MISSION STATEMENT

The Telecommunication Division is committed to providing high quality telecommunication 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 Telecommunication 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 2010

- In 2010, the Telecommunication Division continued positioning itself to meet competition:
- In 2010, KPU retired its twenty-seven year old Nortel DMS 100 switch and completed the Telecommunications Division's migration to an IP based Taqua Softswitch.
- The Telecommunication Division increased the number of High Definition channels to sixty-nine during 2010 and provided additional channels to broadcast the Olympic Games.
- KPU CommVision established a Ketchikan specific weather channel.
- The Telecommunication Division upgraded software and equipment to improve the performance of IPTV Set Top Boxes (STB) and enhance the user experience.
- The Telecommunication Division negotiated with GCI for the purchase of 45 megabytes of additional bandwidth for its Internet offerings and improved the connection to GCI to provide better resiliency in case of equipment failure.
- The Telecommunication Division expanded its established WiFi presence at the airport as well by installing five additional WiFi hotspots servicing users at the boat harbors within City limits.
- The Telecommunication 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 and 2009, the first and second year's fiber deployments were targeted to areas where existing copper

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facilities were problematic due to long loops. During 2010, fiber deployment continued to be strategically targeted to high-density residential areas.

- In 2010, the Telecommunications and Sales, Marketing & Customer Service Divisions increased the amount of local content being filmed and broadcast on CommVision's channels 601 through 699. KPU's exclusive broadcast of high school sports, local art and other community events, as well as the Filipino channels, gives many segments of the community an additional reason to select KPU for their TV provider.
- The Telecommunication and Sales, Marketing & Customer Service Divisions continued the rollout of Hosted PBX business service in 2010. KPU experienced a growth rate of over fifty percent (50%) in this product in 2010. This well exceeds the division's expectations and validates its investment in IP switching. This 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 participated through the Rural Coalition in shepherding new state access charge regulations that will have a significant positive financial benefit to KPU's state access revenues in 2011. These regulations have been underway for over two years and have been wrought with controversy. The fact that the regulations are a financial benefit to KPU and have actually been adopted by the Regulatory Commission of Alaska is a major accomplishment.
- The Telecommunications Division replaced its obsolete one thousand hour Video On Demand (VOD) server with a state-of-the-art five thousand hour server that also has the capability of providing network based PVR (Personal Video Recorder) functionality.
- The Telecommunication Division developed and implemented an advanced trouble ticketing system based on the open source RT (Request Tracker) platform. This interim platform allows improved tracking and capture of customer issues until the full-featured CommSoft upgrade is implemented in 2011.
- The Telecommunication Division added air conditioning units to several remote equipment cabinets to prevent heat-induced outages, as occurred in 2009.
- The Telecommunication Division began its plan to add additional core network redundancy with the addition of a second T7000 softswitch chassis and duplicate M6000 key components.

Detailed below is a summary of the major accomplishments achieved in 2010 by the Telecommunication Division.

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Administration:

- The Telecommunication Division continued its successful Internet Protocol Television (IPTV) deployment to subscribers during 2010. Local content has also shown steady improvement this year.
- During 2010, AT&T and the Telecommunication Division renewed its prior thirty-year lease of the AT&T Alascom complex facilities. The new lease is for 25 years. During 2010, KPU and A&TT actively engaged in negotiations. The lease is for an approximately 17,000 sq. ft. complex located at 2900 Tongass Avenue. The new lease will be effective on November 01, 2010.
- The Telecommunication Division filed an off year Intrastate Access Charge Revenue Requirement in late 2009. This filing was made so that significant investments made in 2009 would be reflected. These investments will impact the amount of access revenues that KPU will receive in future years. This allowed KPU to establish a twenty-two (22%) higher per line access charge rate, which will carry forward into the future.
- KPU joined the Coalition for Equity in Switching Support, which successfully petitioned the Federal Communications Commission to revise the Local Switching Support Dial Equipment Minute (DEM) weighting factors. This allowed KPU to return to a favorable 3X DEM weighting factor, which increased Local Switching Support by \$60,000.
- In late 2009, the Telecommunication Division retooled its WiFi customer user interface. Additionally, new generation transmitters have been installed that support the feature set of the new user-friendly software. In 2010, KPU continued to expand WiFi availability to the harbors within the City.
- The Telecommunication Division is midway through the installation of iCommV, which adds some significant new capabilities for its Customer Service Representatives (CSRs) to use back-office systems to drive more sales. This system also adds significant workforce management capabilities.
- The Telecommunication Division installed a new IVR system that improves its call handling and call management systems.

Plant, Engineering and Central Office:

- The construction crew and the cable splicers completed the following fiber optic projects:
 - Fiber optic cable to a new GCI cell site;
 - Fiber optic cable on Copper Ridge Lane;

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- Fiber optic cable from the Knudson office to Waterfall;
- Fiber optic cable to three new AT&T cell sites;
- Fiber optic cable to a new ACS cell site;
- Fiber optic cable from Herring Cove to Beaver Falls;
- Fiber optic cable was spliced and terminals installed in the Cranberry and South Pt. Higgins neighborhoods; and
- Fiber optic cable was spliced and terminals installed in the Mecca neighborhood.
- The construction crew and cable splicers completed the following building entrance cable projects:
 - Fiber optic cable into the new South Tongass Fire Station;
 - Fiber optic cable into the SignPro building;
 - Copper cable into the Opportunity House on Carlanna Lakes Road; and
 - Fiber optic cable into the new water treatment plant.
- The construction crew transferred existing fiber and copper cable over to a new pole line between Totem Bight and Whipple Creek. The new pole line was built to accommodate the new bicycle path along North Tongass Highway. This work was completed with no interruption of service.
- The Telecommunication Division let a contract for the placement of fiber cable for its Fiber to the Home project. 48,000 feet of cable was placed in 2010 under this contract. The areas covered include the following:
 - Carlanna Lakes Road, Baranof, Buren to Fairview areas;
 - Bear Valley;
 - Eichner and Shoreline; and
 - Water Street – Tremont to Tunnel.

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These projects were designed with ‘pre-spliced’ cables and snap together terminal splices. The plan is to place a terminal when a service order requiring fiber optics is received.

- Engineering is currently designing the job orders to place fiber cable in the five remaining neighborhoods with the goal that these areas will be in-service by year-end. These areas include the following:
 - Ketchikan Lakes;
 - Ward Cove;
 - D1 Loop;
 - Mountain Point to Herring Cove; and
 - Pond Reef.
- Plans were developed to maximize the number of Fiber to the Home (FTTH) installations. Technicians attended training and purchased the necessary tools and equipment for FTTH. Currently eight installations per week are scheduled, four for existing IPTV customers and four for new customers.
- A new installation and repair truck was added to the vehicle fleet. This pickup truck has a fiberglass insert in the bed with a ladder rack and bins for tools and equipment.
- The warehouse identified obsolete copper cable in the warehouse yard. The obsolete cable was removed from the spool, cut up and put in a half container for shipment to a scrap dealer in Seattle.
- A software tool that calculates the estimated amount of bandwidth for a service order was developed. The bandwidth calculator was then incorporated into an electronic appointment calendar in which employees at Plant and Customer Service have real-time access. The appointment software contains formulas that list fiber availability by specific address. A Customer Service Representative can now give the customer a much more informed plan on what it will take, from an installation perspective, to provide the services that are being requested. The appointment software indicates whether the service order should be placed using fiber, copper, a second copper circuit or a bonded copper pair circuit.
- A software tool was developed that standardizes the notes used to communicate the services requested on a service order. Clear and concise notes improve the efficiency for both Customer Service and the groups that provision the service orders, i.e. Line

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Assignment, Inside Plant and Outside Plant. The Customer Service Representative can now 'write' the service order notes using pull down menus and check boxes and the software then develops the service order notes using a consistent format and acronyms.

- Outside Plant personnel received WiFi enabled laptop computers and are now able to receive and close trouble tickets more efficiently.

GOALS AND OBJECTIVES FOR 2011

The Telecommunications Division 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 Telecommunication 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 2011 is to continue to enhance KPU's product offering by marketing to consumers the new technology that was installed over the last forty-eight months: IPTV, Fiber to the Home, 5,000 hour VOD platform, Network PVR, Personal Video Recorders, Hosted PBX, hyper-speed Broadband Internet, WiFi Hot Spot Internet, 700 MHz fixed wireless Internet/voice and high speed VDSL over copper. The Telecommunications Division 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.

The Telecommunication Division's principal projects for 2011 will be the continuation (year four) of a five-year fiber to the curb/home project that will keep KPU competitive. KPU will also strive to continue its realization of significant market share gain for its new Triple Play products by providing IPTV subscribers with a state-of-the-art network personal video recorder and a fivefold increase in Video-on-Demand programming. 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 additional core network redundancy will be actively pursued. The Telecommunications Division will also be installing a major new release of CommSoft back office and billing software that will include new functionality in the area of workforce management software. Lastly, the division will continue 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 2011.

Administration:

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- Continue with efforts to add redundancy to the Telecommunications Division's TriplePlay core network components.
- In 2006, KPU won the FCC auction for AWS 1700 MHz PCS/Cellular spectrum for Southeast Alaska. This spectrum, as of 2010, can now be used to provide Mobile voice and data service. T-Mobile, MetroPCS and Cricket are three companies currently providing nationwide service using the AWS spectrum. Three handset (cell phone) manufacturers have 3G phones that work on the AWS band. In July of 2010, the Telecommunications Division solicited proposals for a detailed study to determine how KPU can achieve sufficient penetration and market share in order for this project to be considered as a viable business endeavor.

This study was postponed due to uncertainty with technology deployment standards and unavailability of 4G smart phones for AWS or 700 MHz. In 2011, the division will commission a study to provide a roadmap as to how the Utility should enter the 4G mobile voice, data and entertainment markets. Since the next generation of customers is highly dependent on mobile devices, it is critical that the Telecommunications Division find a viable option to enter this market. It is also important to finalize the division's mobile offering so that its licensed spectrum can be utilized or marketed as soon as possible in advance of the build out deadlines, which are a condition of the license.

- Fill the currently vacant Outside Plant (OSP) Engineer position.
- Continue with limited and targeted deployment of the division's 700 MHz fixed data/voice network for remote subscribers.
- Continue the focus on bundling the Telecommunications Division'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 2011 regulatory issues will continue to have significant impacts on the future operating environment for the Telecommunication Division. In this context, division staff will undertake the following efforts:
 - Implementation of the new state access charge regulations adopted late in 2010, which will positively impact state access revenues;
 - With the FCC rapidly moving forward in implementing the National Broadband Plan, the Telecommunications Division will remain actively engaged in fighting for rural issues. The division will participate with the Alaska Telephone Association (ATA) and Organization for the Promotion and Advancement of Small Telecommunications

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Companies (OPASTCO) in filing comments and forming positions on these far reaching FCC agendas;

- Keep the division current with other key industry issues such as Net Neutrality, and changes in the wireless space; and
- Maintain a presence on the NECA Rate Development Task Force, which is on the forefront of new service offerings such as naked DSL that may allow a competitive Internet or television only service.

Plant, Engineering and Central Office:

The Telecommunication 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 add a second uninterruptible 48 volt DC power system to buttress the aging DC power system and provide 2x redundancy;
- Install CommSoft's Workforce Management system and enhance the current back office systems with CommSoft's newest release of software that is a six-year update that will add significant features to the system;
- Review installation of video services procedures to accommodate new, cost effective methods that will make the process less time consuming;
- Automate simple service orders to give "same day service" wherever possible;
- Use state-of-the-art technology to improve the network, making the division's services more cost effective and more reliable;
- Continue to improve the division's new trouble ticket system;
- Continue an aggressive training schedule so that Telecommunications Division personnel have the tools necessary to maintain advanced telecommunications equipment; and
- Enhance the reliability of the division's new public WiFi system that serves the Port and Airport.

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KPU TELECOMMUNICATIONS**

BUDGET NARRATIVE

Salaries and Wages (Account 11): \$3,104,247 – This account provides for the annual wages of the employees of the Telecommunication Division. The increase above the current year’s appropriation is attributable to annual employee step increases and a two percent (2%) cost of living adjustment for represented and non-represented employees effective January 1, 2011.

Overtime (Account 12): \$204,000 - This account provides for the cost of all premium compensation for non-exempt Telecommunication Division employees to accommodate call outs, emergencies and spikes in the work load for all departments. No increase above the current year’s appropriation has been proposed.

Temporary Salaries (Account 14): \$94,500 - 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 answering trouble desk calls, tree trimmers and flaggers for various projects. This line item was cut in half last year (2010 budget) and resulted in an excessive amount of overtime to be expended to meet the division’s needs. A \$47,250 increase above the current year’s appropriation has been proposed.

Employee Benefit Costs (Account 16): \$1,630,800 - This account provides for the cost of FICA, workers’ compensation, health insurance, unemployment insurance, pension, vacation, and sick leave benefits of employees of the Telecommunication Division. The increase above the current year’s appropriation is attributable to annual employee step increases; a two percent (2%) cost of living adjustment effective January 1, 2011; and a projected ten percent (10%) increase in health insurance premiums effective July 1, 2011.

Expense Allowance (Account 25): \$12,250 - 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 \$1,500 decrease to the current year’s appropriation has been proposed.

Medical Exams (Account 26): \$2,050 - 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 \$75 decrease to the current year’s appropriation has been proposed.

Travel (Account 27): \$42,500 - This account provides for the cost of travel expenses associated with business-related activities of the Telecommunication Division. As a result of the changing technology, as well as regulatory and competitive issues within the telecommunications industry,

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the division needs to be present at important industry meetings and workshops to participate in actions that affect its wellbeing. A \$2,500 decrease to the current year's 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. No increase above 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. No 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. No increase above the current year's appropriation has been proposed.

Heating Fuel (Account 33): \$7,850 - This account provides for the cost of heating the warehouse and garage. A \$13 increase above the current year's appropriation has been proposed.

Janitorial Supplies (Account 36): \$2,500 - This account provides for the cost of janitorial supplies utilized by the Telecommunication Division during the course of the year. A \$1,000 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.

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. No increase above the current year's appropriation has been proposed.

Office Supplies (Account 39): \$16,400 - This account provides for the cost of expendable office supplies used by the division during the course of a year. A \$1,000 decrease to the current year's 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.

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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, installation and repair as well as network administration of KPU's new state-of-the-art network. No increase above the current year's 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 Telecommunication 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): \$74,550 - 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. No increase above the current year's amended appropriation has been proposed.

Community Promotion (Account 51): \$1,000 - This budget item 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): \$386,500 - 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. An \$18,500 decrease to the current year's appropriation has been proposed.

Dues & Publications (Account 54): \$46,400 - This account provides for the cost of various publications and trade manuals, including engineering magazines, subscribed to by the Telecommunication Division. More than 75 percent of this account is for membership dues to the Alaska Telecommunications Association and OPASTCO (Organization for the Promotion 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. A \$4,500 increase above the current year's appropriation has been proposed.

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Maintenance Services (Account 58): \$5,200 - This account provides for the cost of equipment maintenance and service contracts for miscellaneous equipment. A \$400 increase above the current year's appropriation has been proposed.

Postage (Account 59): \$43,150 - This account provides for the cost of mailing division correspondence, packages and special/express mail during the course of the year. Freight charges are also included in this account. A \$1,150 increase above the current year's amended appropriation has been proposed.

Professional Services (Account 60): \$556,650 - 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 \$38,900 decrease to the current year's amended appropriation has been proposed.

Rentals - Equipment (Account 61): \$1,568,100 - This account provides for the cost of leasing transmission facilities and Internet backbone connectivity that the Telecommunication Division uses for its Internet Services. The division continues to increase the amount of bandwidth in order 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 Telecommunication Division pays to the Electric Division. An \$115,000 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 and Administrative offices. No increase above the current year's appropriation has been proposed.

Telecommunications Service (Account 63): \$165,000 - This account provides funding for cell phones, local, long-distance, foreign exchange (FX) lines, payphone local access lines, etc. A \$14,800 decrease to the current year's appropriation has been proposed.

Utilities (Account 65): \$141,200 - This account provides for the cost of all electricity, water, sewer and garbage services utilized by the division. An \$800 increase above the current year's appropriation has been proposed.

Licenses and Fees (Account 68): \$841,000 - 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

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increased the amount in this account since it is also tied to customer demand for the service. This account also provides for the cost of a variety of regulatory fees including Interstate TRS Telecommunications for the hearing impaired and for FCC mandated contributions to the Universal Service Fund. Software licensing associated with the new video equipment will also have to be purchased. A \$91,000 increase above the current year's amended appropriation has been proposed.

Information Tech Costs (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 appropriation has been proposed.

Vehicle Operation & Maintenance (Account 87): \$34,000 - This account provides for the cost of maintaining the Telecommunication Division's vehicles and motorized equipment. A \$2,000 decrease to the current year's appropriation has been proposed.

Materials & Services (Account 89): \$458,000 - This account provides for the cost of all materials and services required by the division to operate during the course of the year. A \$34,350 increase to the current year's original appropriation has been proposed.

Office Equipment & Furniture (Account 90): \$5,000 - This account provides for the cost of office equipment and furniture purchases that the division incurs during the course of the year. A \$4,000 decrease to the current year's appropriation has been proposed.

Vehicles & Moving Equipment (Account 92): \$130,000 - This account provides for a bucket truck as the fiber installs require the placement of fiber drops from the terminal to the customers house. In order to efficiently utilize the crews for an increasing number of fiber installs, we will need this bucket truck. Also scheduled is the replacement of an installation van that is 10 years old. A \$130,000 increase above the current year's appropriation has been proposed.

Operating Equipment (Account 93): \$100,000 - 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 and to test, repair and build high-speed data and voice circuits. A \$63,000 increase above to the current year's amended appropriation has been proposed.

Capital Projects (Account 94): \$2,153,836 - This account provides for the cost of approved capital projects programmed in 2011. The capital projects proposed are further detailed in the Capital Improvement Program. A \$14,039 decrease above the current year's original appropriation has been proposed.

Personal Computer Hardware and Software (Account 97): \$46,700 - This account provides for the purchase of various hardware and software required for ongoing operations of the

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
KPU TELECOMMUNICATIONS**

division, including any upgrading of computer equipment. A \$4,000 increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 572 Telecommunications

Function: 072 Telecommunications

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	2,541,579	2,670,385	2,905,139	3,019,262	2,870,300	3,104,247
12 Overtime	234,970	279,041	204,000	240,000	240,000	204,000
14 Temporary Salaries	102,650	123,334	47,250	47,250	47,250	94,500
16 Employee Benefits	1,366,706	1,423,927	1,530,900	1,617,309	1,616,500	1,630,800
25 Expense Allowance	5,192	68,895	13,750	13,750	13,750	12,250
26 Medical Exams	(355)	225	2,125	2,125	2,125	2,050
27 Travel	56,611	52,347	45,000	45,000	45,000	42,500
28 Clothing Allowance	4,200	3,837	3,050	3,050	3,050	3,050
30 Books & Library Material	443	1,115	2,400	2,400	2,400	2,400
32 Department Supplies	3,673	2,133	2,500	2,500	2,500	2,500
33 Heating Fuel	6,409	5,157	7,837	7,837	7,837	7,850
36 Janitorial Supplies	3,018	4,351	3,500	3,500	3,500	2,500
37 Maintenance Materials	740		1,000	1,000	1,000	1,000
38 Motor Fuel & Lubricants	42,578	25,888	35,000	35,000	35,000	35,000
39 Office Supplies	20,504	16,137	17,400	17,400	17,400	16,400
40 Small Tools & Equipment	29,586	33,395	31,400	31,400	31,400	31,400
41 Education & Training	36,793	32,872	46,750	46,750	46,750	46,750
45 Engineering Supplies			800	800	800	800
46 Safety Program	14,918	10,524	10,900	10,900	10,900	10,900
50 Advertising & Publishing	188,143	54,909	62,370	70,500	70,500	74,550
51 Community Promotion	3,000			1,000	1,000	1,000
53 Contractual Services	437,433	487,484	405,000	405,000	405,000	386,500
54 Dues & Publications	32,785	33,907	41,900	41,900	41,900	46,400
58 Maintenance Services	3,530	4,421	4,800	8,000	8,000	5,200
59 Postage	22,794	35,820	25,000	42,000	42,000	43,150
60 Professional Services	617,043	660,389	496,550	595,550	595,550	556,650
61 Rentals - Equipment	1,009,416	1,171,282	1,453,100	1,453,100	1,453,100	1,568,100
62 Rentals - Space	71,247	76,263	88,700	88,700	88,700	88,700
63 Telecommunication Services	168,434	179,485	179,800	179,800	165,000	165,000
65 Utilities	181,653	143,900	140,400	140,400	140,400	141,200
68 Licenses & Fees	523,308	536,226	643,000	750,000	750,000	841,000
75 Information Technology	111,347	93,377	115,000	115,000	115,000	115,000
87 Vehicle O & M	42,265	44,973	36,000	36,000	36,000	34,000
89 Materials & Services	428,693	350,414	423,650	430,000	430,000	458,000
90 Office Equipment & Furniture	8,719	(3,688)	9,000	9,000	9,000	5,000
92 Vehicles & Moving Equipment		158,212		5,000	5,000	130,000
93 Operating Equipment	51,039	51,682	30,000	37,000	37,000	100,000
94 Capital Projects	2,997,266	2,815,258	2,167,875	2,082,525	1,823,389	2,153,836
97 PC Hardware & Software	39,091	45,270	42,700	42,700	42,700	46,700
Division Total	11,407,421	11,693,148	11,275,546	11,680,408	11,256,701	12,210,883

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 572 Telecommunications

Function: 072 Telecommunications

DETAIL OF PERSONNEL SERVICES

Job Classification	2008 Actual	2009 Actual	2010		2011	
			Adopted	Amended	Number	Salary
EXECUTIVE & PLANNING						
Telecommunications Divisions Mgr	1.00	1.00	1.00	1.00	1.00	126,709
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	42,941
GENERAL & ADMINISTRATIVE						
Asst Telecommunications Mgr	1.00	1.00	1.00	1.00	1.00	98,483
Tariff Specialist	1.00	1.00	1.00	1.00	1.00	48,245
Access Rate Specialist	1.00	1.00	1.00	1.00	1.00	46,081
Accounting Technician-KPU	1.00	1.00	1.00	1.00	1.00	38,613
ENGINEERING SERVICES						
Telecom Engineering Mgr		1.00	1.00	1.00	1.00	96,571
Telecom Engineer	2.00	1.00	1.00	1.00	1.00	96,571
Outside Plant Engineer		1.00	1.00	1.00	1.00	87,488
Engineering Tech-Telecom	1.00	1.00	1.00	1.00	1.00	52,602
MARKETING AND SALES						
Sales and Marketing Director	1.00					
Marketing Manager	1.00					
Secretary II/Business Sales Specialist	1.00					
IPTV Content Spec/Marketing Rep	1.00					
PLANT SPECIFIC						
Outside Plant Foreman	1.00	1.00	1.00	1.00	1.00	84,079
Journeyman Cable Splicer	2.00	2.00	3.00	3.00	2.00	158,218
Journeyman Combination Tech	9.00	9.00	8.00	8.00	9.00	677,115
Apprentice-Telecom	3.00	1.00	0.09	1.00		
Inside Plant Foreman	1.00	1.00	1.00	1.00	1.00	94,915
Journeyman CO Network Tech	10.00	9.00	9.00	9.00	9.00	803,061
Data Technician						
PLANT NON-SPECIFIC						
Telecom Plant Manager	1.00	1.00	0.09	1.00	1.00	91,920
Plant Service Clerk	3.00	3.00	3.00	3.00	3.00	176,097
Warehouse Worker	1.00	1.00	1.00	1.00	1.00	66,894
Warehouse Worker/General Laborer	1.00	1.00	0.09	1.00	1.00	59,426
NON-REGULATED						
Journeyman PBX Installer/Repair Tech	2.00	2.00	2.00	2.00	2.00	158,218
TOTAL	47.00	41.00	38.27	41.00	40.00	3,104,247

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
CAPITAL EXPENDITURES**

Fund: Various
Department: 572 Telecommunications

Function: 072 Telecommunications

2011 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2011 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>											
Buildings	C-1	45,000								41,400	3,600
Central Office Switching	C-2	125,000	11,275		5,600						108,125
Copper Cable	C-3	25,000	7,400		3,600						14,000
Fiber Cable	C-4	250,000	81,200	14,300	47,000						107,500
Central Office Transmission	C-5	371,500	33,875	5,900	19,600						312,125
Wireless	C-6	15,000	1,275		600						13,125
Provisioning	C-7	25,000								25,000	
<u>Construction Capital</u>											
Fiber to the Home	C-8	709,136	21,300	3,800	12,400					300,000	371,636
Remote Cabinets for Advances Svcs	C-9	50,000	3,300		1,700						45,000
Battery Plant Augmentation	C-14	125,000	12,550		6,200					17,350	88,900
Router Enhancement	C-16	175,000	5,850		2,900						166,250
Core Router Redundancy	C-17	225,500	9,250		4,500						211,750
Pennock Island Transport	C-24	50,000								50,000	
<u>Capital Equipment Budget</u>											
Operating Equipment	C-10	100,000						100,000			
Vehicle Acquisition	C-11	130,000					130,000				
PC Hardware & Software	C-12	40,000						40,000			
Phone System	C-18	30,000	6,200		3,100						20,700
<u>Non Regulated Capital</u>											
Headend Expansion	C-19	73,000	8,400		4,100						60,500
ISP email Server	C-20	25,000	2,125		1,000						21,875
Video Set Top Boxes	C-21	125,000									125,000
4G Mobile	C-23	50,000									50,000
		2,764,136	204,000	24,000	112,300		130,000	100,000	40,000	433,750	1,720,086

Total Object 94 2,153,836

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
DIVISION SUMMARY**

Division: Water 573

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Operating						
	573 Water	1,266,099	1,386,453	1,596,277	1,581,077	1,509,180	1,613,722
	Total Operating	1,266,099	1,386,453	1,596,277	1,581,077	1,509,180	1,613,722
-	Capital						
	573 Water	5,709,264	1,228,747	6,912,750	6,927,950	4,450,893	10,108,705
		6,975,363	2,615,200	8,509,027	8,509,027	5,960,073	11,722,427

EXPENDITURE SUMMARY

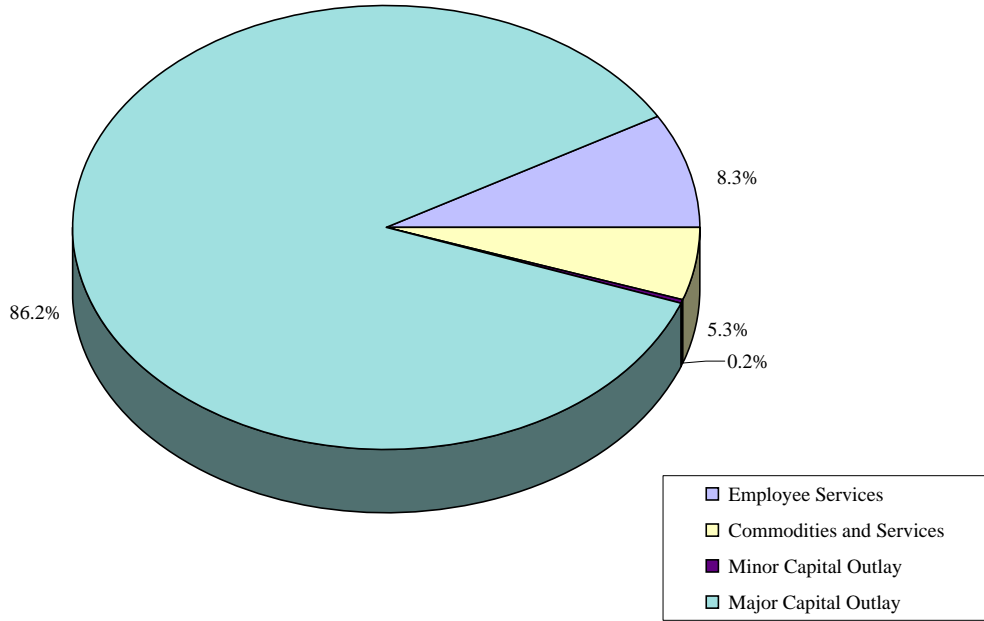
Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Operating						
Employee Services	796,306	836,061	963,082	947,882	931,235	971,527
Commodities and Services	453,881	537,386	612,195	610,195	554,945	621,195
Minor Capital Outlay	15,912	13,006	21,000	23,000	23,000	21,000
Total Operating	1,266,099	1,386,453	1,596,277	1,581,077	1,509,180	1,613,722
Capital						
Employee Services	6,798	3,560		15,200	15,200	
Commodities and Services	5,702,466	1,225,187	6,912,750	6,912,750	4,435,693	10,108,705
Total Capital	5,709,264	1,228,747	6,912,750	6,927,950	4,450,893	10,108,705
	6,975,363	2,615,200	8,509,027	8,509,027	5,960,073	11,722,427

PERSONNEL SUMMARY

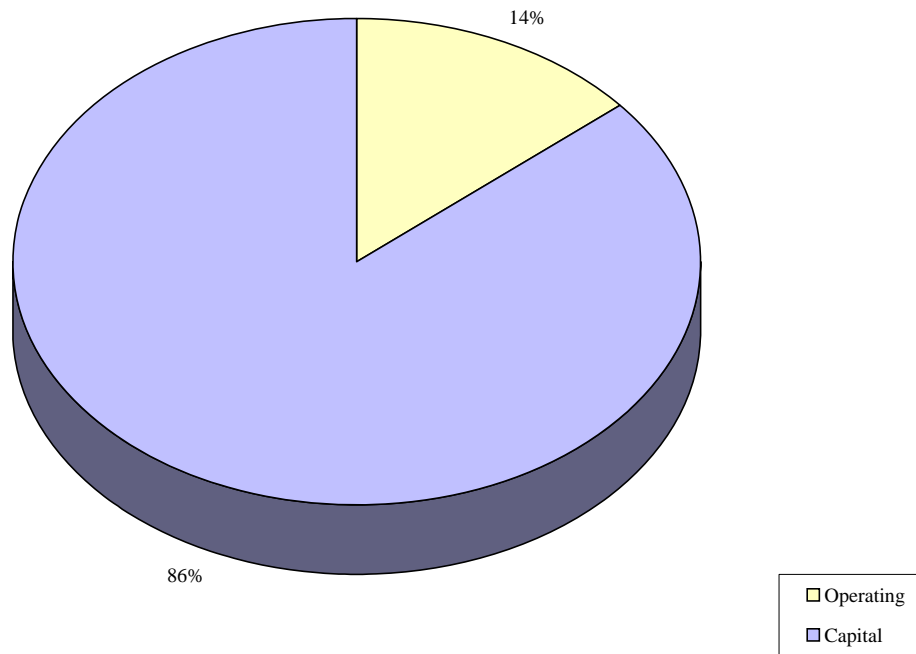
Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	Water	7.50	7.50	8.50	8.50	8.50	8.50
		7.50	7.50	8.50	8.50	8.50	8.50

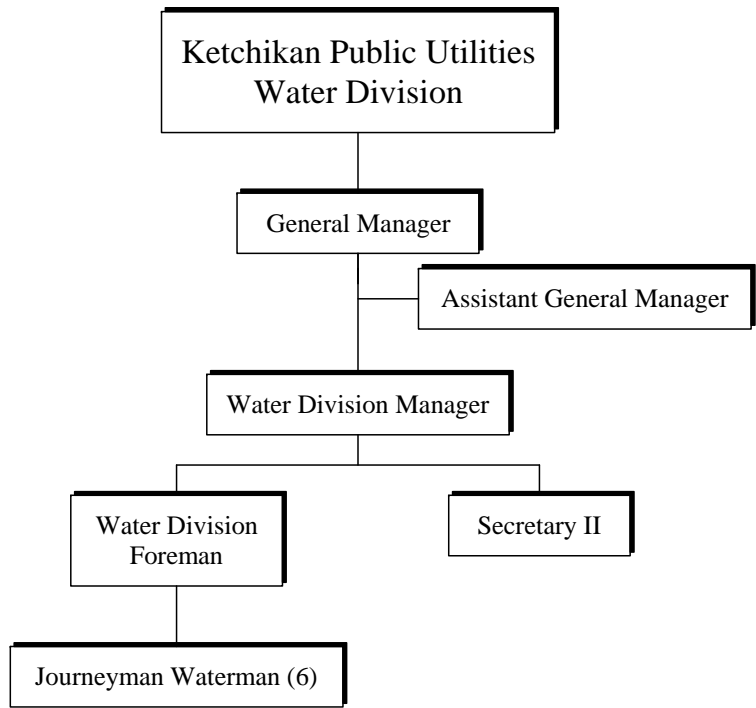
WATER

2011 EXPENDITURES



2011 DIVISION SUMMARY





KETCHIKAN PUBLIC UTILITIES

2011 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 2010

- 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 18 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. Construction is now almost complete and employees from the ultraviolet equipment vendor, Trojan Technologies, Inc., and CH2M Hill have begun startup commissioning while work continues on the ammonium hydroxide injection portion of the project. The entire facility should become fully operational by the fall of 2010.
- 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 the site development portion of the project through a Group 2 American Recovery and Reinvestment Act (ARRA) Eligible Project with loan subsidy in the amount of \$1,223,924. This includes principal forgiveness of the loan subsidy in the amount of \$1,101,532. The site preparation portion of this project is now complete. Funding has been approved for the construction of the reservoir itself through a combination of a 70% Municipal Matching Grant in the amount of \$1.91 million. Approval has also been received

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

WATER DIVISION

to submit an application for the sale of revenue bonds for the remainder of the project cost through the State's low-interest SFY 2011 Drinking Water Loan program.

- The second phase of replacing Tongass Avenue's defective cast iron water mains is now complete. 2,715 feet of 10-inch cast iron water main along Tongass Avenue between The Landing Hotel and the Third Avenue intersection were replaced with modern, non-corrodible, 30-inch high-density polyethylene (HDPE) plastic pipe. This work was done in conjunction with the Wastewater Division's replacement of its gravity and force main sewers in the project area and is another segment of a multi-year program jointly developed by KPU and General Government to replace substandard, defective utilities simultaneously wherever possible.
- 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 agencies on time. When 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. As with the Tongass Avenue project, multiple sources of construction funding are being sought. Approval has been received to submit an application for the sale of revenue bonds for the entire amount through the State's low-interest SFY 2012 Drinking Water Loan program. In addition, SFY 2012 70% Municipal Matching Grant applications have been submitted to ADEC. Both projects appear to have scored quite well. Whether they are included in the Governor's Budget to be submitted to the Legislature will not be known until mid-December.

KETCHIKAN PUBLIC UTILITIES 2011 ANNUAL BUDGET WATER DIVISION

GOALS AND OBJECTIVES FOR 2011

- Demonstrate to everyone's satisfaction that the UV Disinfection and Chloramination Facility has achieved all of its objectives and is delivering pure, safe potable water to the ratepayers. This includes enforcement of the Utility's cross-connection program and requiring backflow preventers wherever the possibility of contamination exists.
- Prepare the bid documents and award the construction contracts for the replacement for of the Baranof Reservoir, the Alaska Avenue Water and Sewer Replacement Project and the Jackson Street Water and Sewer Replacement project.
- In conjunction with the Public Works Department, continue with designs for the future water and sewer replacement projects that are identified in the respective five-year Capital Improvement Programs.
- Continue to address the issue of cast-iron water mains throughout the community.
- 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): \$593,827 - This account provides for the cost of the annual wages of the employees of the Water Division. The increase above the current year's appropriation is attributable to annual employee step increases and a two percent (2%) cost of living adjustment for represented and non-represented employees effective January 1, 2011.

Overtime (Account 12): \$45,000 - This account provides for the cost of overtime incurred by employees of the Water Division during the course of the year. A \$5,000 increase above the current year's appropriation has been proposed due to additional overtime that will be required as a result of the Alaska Avenue and Jefferson Street Water & Sewer Replacement projects.

Employee Benefit Costs (Account 16): \$332,700 - 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.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
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. No increase above the current year's appropriation has been proposed.

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 original 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. No 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 original 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. No increase above 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. No increase above the current year's original appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2011 ANNUAL BUDGET

WATER DIVISION

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 potential health implications. No increase above the current year's original appropriation has been proposed.

Contractual Services (Account 53): \$85,000 - 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 undoubtedly require additional water testing to confirm that the disinfection byproducts have been reduced and are now under control. ADEC is also proposing mandatory raw water *cryptosporidia* testing in 2011 for all of Alaska's filtration avoidance communities. A \$10,000 increase above the current year's 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. No increase above the current year's original appropriation has been proposed.

Professional Services (Account 60): \$80,000 - The majority of the funding request is related to the conversion to chloramine disinfection in 2010 and its impacts on the community. 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. There will be the need to confirm UV disinfection effectiveness as well as to demonstrate that chloramination disinfection has the ability to quench the formation of haloacetic acids. This account will also provide funding for a thorough water rate study that will recommend equitable rates for the various classes of consumers. A \$10,000 decrease to the current year's appropriation has been proposed.

KETCHIKAN PUBLIC UTILITIES

2011 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. Rather than purchase seldom used equipment needed in water main reconstruction projects, it is more cost-effective to rent. No increase above the current year's 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. No increase above current year's appropriation has been proposed.

Utilities (Account 65): \$142,000 - This account provides for the cost of all electricity, water, sewer and solid waste disposal services utilized by the division. An \$8,000 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 and utilities for the new facility.

Licenses & Fees (Account 68): \$2,000 - This account provides for the cost of vehicular licenses, operator certification fees and ADEC plan review fees for 2011's water construction projects. A \$1,000 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 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. No 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
2011 ANNUAL BUDGET
WATER DIVISION**

Vehicles & Moving Equipment (Account 92): \$35,000 - A detailed explanation of the proposed service vehicle replacement appears in the 5-year Capital Improvement Budget (Sheet F-13). A \$35,000 increase above the current year's appropriation has been proposed.

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): \$10,073,705 - Detailed explanations of proposed future capital projects and the proposed funding sources appear in the 5-year Capital Improvement Budget. A \$3,160,955 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
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Department: 573 Water

Function: 073 Water

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
11 Salaries & Wages	462,085	482,843	584,082	556,647	540,000	593,827
12 Overtime	27,264	38,187	40,000	54,000	54,000	45,000
14 Temporary Salaries	25,889	29,181		735	735	
16 Employee Benefits	287,866	289,410	339,000	351,700	351,700	332,700
25 Expense Allowance	269		250	250	150	250
26 Medical Exams			525	525	75	525
27 Travel	2,781	(369)	2,500	2,400	2,000	2,500
28 Clothing Allowance	1,389	1,259	1,470	1,470	1,470	1,470
36 Janitorial	223	142	450	500	500	450
38 Motor Fuel & Lubricants	15,623	12,553	13,000	13,000	12,000	13,000
39 Office Supplies	3,124	2,242	4,500	4,500	3,600	4,500
40 Small Tools & Equipment	5,840	3,711	4,000	4,000	4,000	4,000
41 Education & Training	7,000	2,503	9,000	9,100	9,100	9,000
46 Safety Program	2,321	1,664	3,500	3,500	3,500	3,500
50 Advertising & Publishing	4,043	3,354	5,000	5,300	5,300	5,000
53 Contractual Services	62,764	39,581	75,000	75,000	65,000	85,000
54 Dues & Publications	2,415	2,965	2,000	2,800	2,800	2,000
58 Maintenance Services	592	761	1,000	1,150	1,150	1,000
59 Postage	5,658	4,474	6,000	7,600	7,600	6,000
60 Professional Services	21,540	147,017	90,000	90,000	90,000	80,000
61 Rentals - Equipment	858	3,307	3,000	3,000	1,600	3,000
63 Telecommunication Services	17,162	19,786	22,000	22,000	20,500	22,000
65 Utilities	113,097	112,283	134,000	134,000	118,000	142,000
68 Licenses & Fees	631	1,285	1,000	2,600	2,600	2,000
87 Vehicle O & M	10,144	12,041	14,000	14,000	14,000	14,000
89 Materials & Services	176,407	166,827	220,000	213,500	190,000	220,000
90 Office Equipment & Furniture	1,361		1,000	1,000	1,000	1,000
92 Vehicles & Moving Equipment		26,869				35,000
93 Operating Equipment			4,000	4,000	4,000	4,000
94 Capital Projects	5,702,466	1,198,318	6,912,750	6,912,750	4,435,693	10,073,705
97 PC Hardware & Software	14,551	13,006	16,000	18,000	18,000	16,000
Division Total	6,975,363	2,615,200	8,509,027	8,509,027	5,960,073	11,722,427

DETAIL OF PERSONNEL SERVICES

Job Classification	2008	2009	2010		2011	
	Actual	Actual	Adopted	Amended	Number	Salary
Water Manager	1.00	1.00	1.00	1.00	1.00	103,996
Foreman	1.00	1.00	1.00	1.00	1.00	74,553
Journeyman Waterman	5.00	5.00	6.00	6.00	6.00	392,778
Water/Eng Secretary II	0.50	0.50	0.50	0.50	0.50	22,500
TOTAL	7.50	7.50	8.50	8.50	8.50	593,827

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
CAPITAL EXPENDITURES**

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

2011 CAPITAL IMPROVEMENTS DETAIL

Project	CIP Ref	Total 2011 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
Baranof Reservoir Replacement	D-2	3,641,000							3,641,000	
Jackson, 4th & 7th Water Improvements	D-3	3,720,000							3,720,000	
Alaska Ave. Water Improvements	D-4	1,957,705							1,957,705	
Water Distribution Grid Improvements	D-5	60,000							15,000	45,000
UV Facility Warehouse	D-6	335,000							335,000	
Adams St. Water Improvements	D-7	15,000							15,000	
Additional Projects	D-8	40,000							15,000	25,000
Water Service Upgrade Program	D-9	30,000							30,000	
Backflow Prevention Program	D-10	10,000							10,000	
Sayles & Gorge Water Improvements	D-11	40,000							40,000	
Dunton St. Vaiduct Utilities	D-12	75,000							75,000	
Vehicles & Moving Equipemnt	D-13	35,000				35,000				
1st & Jefferson Water Improvements	D-14	25,000							25,000	
Schoenbar Rd. Water Improvements	D-15	60,000							60,000	
Creek Street Water/Sewer Replacement	D-16	65,000							65,000	
		10,108,705				35,000			10,003,705	70,000
									Total Object 94	10,073,705

**KETHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
DIVISION SUMMARY**

Department: Other No: 550

DIVISION SUMMARY

Fund	Division	2008	2009	2010			2011
		Actual	Actual	Adopted	Amended	Estimate	Budget
410	- Various	4,231,353	4,261,240	4,376,397	4,376,397	4,093,271	4,372,454
		4,231,353	4,261,240	4,376,397	4,376,397	4,093,271	4,372,454

EXPENDITURE SUMMARY

Expenditures	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
Commodities and Services	1,155,719	1,176,421	1,284,780	1,284,780	1,166,000	1,039,000
Debt Service	3,075,634	3,084,819	3,091,617	3,091,617	2,927,271	3,333,454
	4,231,353	4,261,240	4,376,397	4,376,397	4,093,271	4,372,454

**KETCHIKAN PUBLIC UTILITIES
2011 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): \$311,000 - This account provides for the cost of property and liability insurance and payment of claims against Ketchikan Public Utilities. A \$245,780 decrease to the current year's appropriation has been proposed.

Debt Service (Account 76): \$3,333,454 - This account provides for the payment of principal and interest on five municipal utility revenue bonds. A \$241,837 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 proposed mill rate to be levied on properties within the boundaries of the City. No increase above the current year's appropriation has been proposed.

**KETCHIKAN PUBLIC UTILITIES
2011 ANNUAL BUDGET
EXPENDITURES**

Fund: 410 KPU Enterprise
Division: 550 Other

Function: 050 Other

Description	2008	2009	2010			2011
	Actual	Actual	Adopted	Amended	Estimate	Budget
55 Insurance and Claims	505,719	501,421	556,780	556,780	438,000	311,000
76 Debt Service	3,075,634	3,084,819	3,091,617	3,091,617	2,927,271	3,333,454
79 In Lieu of Taxes	650,000	675,000	728,000	728,000	728,000	728,000
Division Total	4,231,353	4,261,240	4,376,397	4,376,397	4,093,271	4,372,454