

ANCHORAGE TELEPHONE UTILITY

In 1915, The Alaska Engineering Commission purchased and installed a magneto switchboard and 300 telephones at the Anchorage construction base of the Alaska Railroad. In 1932 the system was acquired by the City of Anchorage. The telephone system has since evolved from a 200-line manual switchboard into a modern and sophisticated telecommunications network, providing approximately 114,700 business and residential access lines on the average for 1988.

In the telephone industry, ATU is ranked 22nd in the number of access lines according to comparative statistics for 1988 prepared by the United States Telephone Association. ATU provides service in the Anchorage Bowl, Turnagain Arm and the town of Hope. It is the largest local operating telephone system (not affiliated with a holding company) in Alaska and the largest municipally-owned local operating system in the United States.

Operating Budget

ATU is affected by industry deregulation, as are all telecommunications companies. The FCC has deregulated telecommunication areas such as customer premise equipment and inside wiring; detariffed billing and collection; re-allocated commercial expense; and modified the allocation factors (SPF and COE) used in the separations procedure to determine the relative cost of long-distance and local service. The impact in 1990 will be a \$3.1 million jurisdictional shift from state and interstate toll to local service.

ATU is responding aggressively to these challenges and has implemented a plan to adjust to this transition period. Material and supply purchases continue to be critically reviewed. In 1986, ATU employed 1,047 full and part time employees. By 1989, these had been reduced to a total workforce of 686 positions. ATU management will continue to match the workforce levels to operational requirements. Although ATU plans a workforce of 684 in 1990, it is assumed that 5% or 34 positions will be vacant during the year. In addition to reducing expenses, ATU is seeking alternative sources of revenue.

	1988 <u>Actual</u>	1989 <u>Pro Forma</u>	1990 <u>Budget</u>
Operating and Non-Operating Revenue	\$ 98,501,792	\$ 98,625,000	\$102,484,000
Operating and Non-Operating Expense	94,286,707	94,119,000	96,081,000
Net Income (Loss)	<u>\$ 4,215,085</u>	<u>\$ 4,506,000</u>	<u>\$ 6,403,000</u>
Personnel	777	686	684

Capital Budget

Capital expenditures during the last few years have provided ATU with a fully digital switching system interconnected by fiber optics, making it one of the most modern exchange telephone companies in the nation. ATU is now in the mode of maintaining its existing network. The 1990 capital budget is \$16,830,000.

	1988	1989 Pro Forma	1990	1991	1992	1993	1994	1995
COE	<u>4.9</u>	<u>3.0</u>	<u>5.0</u>	<u>5.3</u>	<u>3.4</u>	<u>3.5</u>	<u>3.5</u>	<u>3.6</u>
OSP	4.9	2.5	7.5	6.4	5.9	6.0	6.0	6.1
BLDG	2.4	1.0	0.7	0.6	1.1	1.2	0.7	.5
OTHER	5.0	3.3	3.6	2.9	3.2	3.2	2.8	2.9
TOTAL	<u>17.2</u>	<u>9.8</u>	<u>16.8</u>	<u>15.2</u>	<u>13.6</u>	<u>13.9</u>	<u>13.0</u>	<u>13.1</u>

COE - Central Office Switching/Line Additions
OSP - Outside Plant Distribution Systems

BLDG - Buildings and Grounds
OTHER - New Technology/Data Processing

MUNICIPALITY OF ANCHORAGE

Utility

ANCHORAGE TELEPHONE UTILITY

Division

Budget Year
19901990 Budget ImpactsOperating

- Anchorage recession has stabilized and access lines are projected to grow by 2% in 1990.
- Toll revenues will decrease \$3.1 million in 1990 due to regulatory changes that shift toll subsidies to local exchange companies.
- ATU will apply for a 15% local rate increase worth \$3.1 million in 1989 with the expectation that it will be granted in January 1990.

Capital

- ATU will sell \$20 million in revenue bonds in 1990 in order to finance the 1990 and 1991 capital programs. The capital programs will maintain the network rather than change or expand it. Engineering says there are no major technology changes that will impact the network in the near future.
- Network Services will upgrade the central office switching network and fiber optic cable to the distribution areas. ATU will continue to upgrade existing ducting extension in conjunction with city road improvement plans.
- Management Information Services Department will upgrade hardware and ATU will purchase software in order to support ATU computer requirements.

MUNICIPALITY OF ANCHORAGE

Utility

ANCHORAGE TELEPHONE UTILITY

Division

Budget Year
1990

1990 BUDGET ASSUMPTIONS

SALARIES AND WAGES

Employment levels for 1990 will remain stable and the size of the workforce will be matched to the operating requirements of ATU. Wages and salary rates are projected at current levels for represented employees with all contractual increases. Non-represented employees are budgeted to receive a 3% salary increase in 1989 and step increases during 1990. Executive employees are projected at 1989 levels. A 5% vacancy rate is included.

BENEFITS

Benefits are projected at 40% based on 1989 experience and adjusted for known changes in medical benefits, FICA, retirement and worker's compensation.

RATE INCREASES

A rate filing is anticipated in late 1989 with a January 1990 implementation date. The rate increase is due to the continued FCC and APUC mandated shifts of expense recovery from inter-state and intrastate toll to local. ATU will apply for a 15% local rate increase, worth \$3.1 million. ATU will attempt to minimize increases by generating new sources of revenue such as Directory Assistance Charging.

INFLATION

Inflation for 1990 on non-labor is assumed at 3%.

DEBT SERVICE INTEREST RATES

ATU plans to sell \$20 million in revenue bonds in 1990. Interest rates are assumed at 7.75%

INTEREST INCOME

General cash pool investments will be calculated at an interest rate of 7.5%.

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990
Continued 1990 Budget Assumptions		
INTRAGOVERNMENTAL CHARGES		
<p>Budget estimates are based on the requests received from general government departments' operating budgets. These are calculated according to agreed upon allocation methodologies. Self insurance is included in ATU's benefit rate; therefore it is not included in the IGC's.</p>		
MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)		
<p>MUSA mill rates are projected to increase 10% during 1990. Payment will also include 1.25% of the gross revenue from regulated services.</p>		
UTILITY REVENUE DISTRIBUTION		
<p>Utility revenue distribution is planned at \$4,000,000 per the Office of Management and Budget.</p>		

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division							Budget Year 1990
<u>WORKFORCE PROJECTION</u>								
<u>FULL-TIME POSITIONS</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	
Network Services	142	146	136	136	136	136	136	
Public Services	85	83	83	83	83	83	83	
Finance & Admin Services	86	87	87	87	87	87	87	
Utility Services	294	287	242	242	242	242	242	
ATU Services	41	41	41	41	41	41	41	
General Manager	38	40	40	40	40	40	40	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total	686	684	629	629	629	629	629	
<u>TEMPORARY POSITIONS</u>								
Utility Services		11						

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990	
Municipality of Anchorage Financial Data			
SUMMARY Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
(\$ in thousands)			
<u>OPERATING BUDGET</u>			
REVENUE	98,502	98,625	102,484
EXPENSE	94,287	94,119	96,081
NET INCOME (LOSS)	4,215	4,506	6,403
<u>CAPITAL BUDGET</u>			
CENTRAL OFFICE EQUIPMENT	4,700	2,794	4,971
NETWORK CHANNEL TERM EQUIPMENT	200	206	260
OUTSIDE PLANT EQUIPMENT	4,900	2,178	5,879
INSTALLATION	1,550	600	1,403
BUILDING AND GROUNDS	2,400	1,050	665
PERSONAL COMPUTERS	80	157	360
VEHICLES	100	200	549
COMPANY OFFICIAL EQUIPMENT	80		340
FURNITURE & SMALL TOOLS	45	162	126
CUSTOMER PREMISE EQUIPMENT FOR RENT	1,500	1,376	1,375
CELLULAR TELEPHONE	500	210	152
COMPUTER SOFTWARE	1,190	850	750
CAPITAL IMPROVEMENT BUDGET	17,245	9,783	16,830

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990
Municipality of Anchorage Financial Data			
DEBT SERVICE COVERAGE	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
Line Item Description			
(\$ in thousands)			
Net Income (Loss)	4,215	4,506	6,403
Depreciation	17,075	18,094	18,815
Municipal Utilities Services Assessment	3,185	4,681	4,884
Interest on Funded Debt	11,732	11,326	11,360
Other	3,066	1,345	1,359
Net Available for Debt Service	39,273	39,952	42,821
Revenue Bond Debt Service			
Interest on Funded Debt	11,732	11,326	11,360
Principal Payment	10,295	10,915	11,970
TOTAL DEBT SERVICE	22,027	22,241	23,330
Debt Service Coverage Ratio	1.78	1.80	1.84
Required Debt Coverage Ratio	1.4	1.4	1.4

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990
Municipality of Anchorage Financial Data			
STATEMENT OF REVENUE AND EXPENSES			
Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
(\$ in thousands)			
<u>REVENUE</u>			
<u>REVENUE FROM SERVICES</u>			
Subscriber Line/MDC	23,524	24,113	27,213
Public Telephone	1,284	1,456	1,500
Toll service	43,467	41,760	38,660
Commercial Revenue	16,089	15,000	15,352
Rent of Equipment	5,259	4,860	6,014
Directory Assistance		646	1,016
Total Revenue from Services	<u>89,623</u>	<u>87,835</u>	<u>89,755</u>
<u>REVENUE FROM SALES</u>			
Sales and Financial Leases	2,458	2,270	3,172
<u>OTHER REVENUE</u>			
Billing & Collection	1,272	1,300	1,300
Maintenance/Installations	3,048	3,530	4,000
Other Revenue from Operations	870	990	1,357
Interest Income	5,036	5,500	5,600
Total Other Revenue	<u>10,226</u>	<u>11,320</u>	<u>12,257</u>
Uncollectibles	(3,805)	(2,800)	(2,700)
TOTAL REVENUE	<u>98,502</u>	<u>98,625</u>	<u>102,484</u>

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990	
Municipality of Anchorage Financial Data			
STATEMENT OF REVENUE AND EXPENSES Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
<u>COST OF GOODS SOLD</u>			
Cost of Goods Sold	1,148	1,400	1,200
<u>EXPENSES</u>			
Plant Specific Operations	13,931	13,420	13,812
Plant Non-specific Operations	6,018	5,811	5,831
Customer Operations	15,775	15,225	14,935
Corporate Operations	11,187	10,825	11,391
Installation & Maintenance	4,865	5,000	4,460
Marketing & Sales Administration	1,881	2,049	2,586
Billing & Collection	749	1,100	1,100
Indirect Expense	3,494	3,543	3,664
Anchorage Economic Development Commission	40	90	84
Total Direct Expense	57,940	57,063	57,863
<u>DEPRECIATION, TAXES AND INTEREST</u>			
Depreciation	17,075	18,094	18,815
Municipal Utility Service Assessment	3,185	4,681	4,884
Interest on Funded Debt	11,732	11,326	11,360
Other Interest Expense	3,084	1,245	1,470
Total Other Expenses	35,076	35,346	36,529
<u>CELLULAR LOSS</u>	123	310	489
TOTAL EXPENSES	94,287	94,119	96,081
NET INCOME (LOSS)	4,215 =====	4,506 =====	6,403 =====

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990	
Municipality of Anchorage Financial Data			
SOURCES AND USES OF CASH			
Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
(\$ in thousands)			
SOURCES OF CASH:			
Net Income (Loss)	4,215	4,506	6,403
Depreciation & Amortization	17,570	18,643	19,790
Bond Proceeds			20,000
Increase in Current Liabilities	21,360		
Total Sources of Cash	<u>43,145</u>	<u>23,149</u>	<u>46,193</u>
USES OF CASH:			
Additions to Plant	8,019	13,489	20,910
Cellular Investment	877	632	152
Bond Principal Payment	10,295	10,915	11,970
Alascom Toll Settlement	10,584		
Residual Equity Transfer (final payment)	1,344	309	
* Utility Revenue Distribution	5,000	2,200	4,000
Decrease in Liabilities	12,865		
Increase in Non-Current Assets	130		
Total Uses of Cash	<u>49,114</u>	<u>27,545</u>	<u>37,032</u>
Net Increase (Decrease) in Cash	(5,969)	(4,396)	9,161
Beginning Cash Balance, January 1	64,020	58,051	53,655
Ending Cash Balance, December 31	58,051	53,655	62,816
DETAIL OF CASH BALANCE:			
Bond Redemption Reserve	18,538	19,506	21,000
Equity in Construction Cash Pool	532		
Equity in General Cash Pool			
Toll Settlement Reserve	11,107	20,000	20,000
Working Capital Reserve	9,590	9,560	9,508
Spendable Cash	18,284	4,589	12,308
Total Equity in General Cash Pool	<u>38,981</u>	<u>34,149</u>	<u>41,816</u>
TOTAL CASH BALANCE:	58,051	53,655	62,816

* 1989 Utility Revenue Distribution is \$2,583,004.65 (\$2,200,000 cash and \$383,004.65 reduction of Maruiben Account Receivable)

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990	
RECONCILIATION OF 1989 PRO FORMA BUDGET TO 1990 BUDGET				
(\$ in thousands)	1989 <u>PRO FORMA</u>	1990 <u>BUDGET</u>	IMPACT TO <u>NET INCOME</u>	<u>EXPLANATION</u>
<u>REVENUE</u>				
<u>REVENUE FROM SERVICES</u>				
Subscriber Line/MDC	24,113	27,213	3,100	A
Public Telephone	1,456	1,500	44	B
Toll Service	41,760	38,660	(3,100)	C
Commercial Revenue	15,000	15,352	352	D
Rent of Equipment	4,860	6,014	1,154	E
Directory Assistance	646	1,016	370	F
Total Revenue from Services	<u>87,835</u>	<u>89,755</u>	<u>1,920</u>	
<u>REVENUE FROM SALES</u>				
Sales and Financial Leases	2,270	3,172	902	G
<u>OTHER REVENUE</u>				
Billing and Collection	1,300	1,300	0	
Installations	3,530	4,000	470	H
Other Revenue from Operations	990	1,357	367	I
Interest Income	5,500	5,600	100	J
Total Other Revenue	<u>11,320</u>	<u>12,257</u>	<u>937</u>	
Uncollectibles	(2,800)	(2,700)	100	K
TOTAL REVENUE	98,625	102,484	3,859	

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990	
RECONCILIATION OF 1989 PROFORMA TO 1990 BUDGET				
(\$ in thousands)				
	<u>1989 PRO FORMA</u>	<u>1990 BUDGET</u>	<u>IMPACT TO NET INCOME</u>	<u>EXPLANATION</u>
<u>COST OF GOODS SOLD</u>				
Cost of Goods Sold	1,400	1,200	200	L
<u>LABOR AND MATERIALS & SUPPLIES</u>				
Labor	37,000	37,425	(425)	M
Materials & Supplies	13,596	14,057	(461)	N
Equal Access Amortization	105	105	0	
Intragovernmental Charges	6,272	6,192	80	O
Anchorage Economic Development Comm	90	84	6	P
Total Labor and Materials and Supplies	<u>57,063</u>	<u>57,863</u>	<u>(800)</u>	
<u>DEPRECIATION, TAXES AND INTEREST</u>				
Depreciation	18,094	18,815	(721)	Q
Municipal Utility Service Assessment	4,681	4,884	(203)	R
Interest Expense	<u>12,571</u>	<u>12,830</u>	<u>(259)</u>	S
Total Other Expenses	<u>35,346</u>	<u>36,529</u>	<u>(1,183)</u>	
<u>CELLULAR LOSS</u>				
	310	489	(179)	T
TOTAL EXPENSES				
	94,119	96,081	(1,962)	
NET INCOME (LOSS)				
	4,506	6,403	1,897	

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990
<p>RECONCILIATION OF 1989 PRO FORMA TO 1990 BUDGET EXPLANATION OF VARIANCE</p>		
<p>A. Increase due to the 1990 jurisdictional rate shift from intrastate and interstate toll to local service.</p> <p>B. Small increase in usage and number of public telephones.</p> <p>C. Decrease in toll revenues due to 1990 jurisdictional rate shift to local service.</p> <p>D. Increase in sales to the Anchorage business community and statewide marketing of services.</p> <p>E. Increase in Customer Premise Equipment rents due to statewide expansion of sales.</p> <p>F. Increase resulting from having directory assistance charging in place for the full year.</p> <p>G. Increase in sales and leases of Customer Premise Equipment due statewide expansion of sales.</p> <p>H. Increase in Customer Premise Equipment installation revenue due to statewide expansion of sales.</p> <p>I. Miscellaneous revenue such as leases, rents, and late fees. The major reason for increase is the implementation of the 1% and 5% late fee charges.</p> <p>J. Increase in interest charged to non-regulated activities.</p> <p>K. Uncollectible accounts are expected to decrease as ATU's collection effort improves.</p> <p>L. 1989 cost of goods sold included a non-recurring sale to Exxon for the Prince William Sound oil cleanup.</p> <p>M. Increase due to non-represented employee 3% wage increase.</p> <p>N. 3% increase in supplies over 1989.</p> <p>O. A decrease in ATU personnel resulted in a decrease in Intragovernmental charges from municipal departments that allocate costs based on workforce.</p> <p>P. ATU will fund the Anchorage Economic Development Commission at a reduced amount</p>		

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990
<p>RECONCILIATION OF 1989 PROFORMA TO 1990 BUDGET EXPLANATION OF VARIANCE</p>		
<p>Q. Increased spending on plant.</p> <p>R. Proposed MUSA calculation for 1990; 10% increase in projected mill rates plus 1.25% of the gross revenues for regulated services.</p> <p>S. Increase in Interest on Funded Debt due to \$20 million bond sale in June 1990.</p> <p>T. Increase in cellular operating expenses.</p>		

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990	
Municipality of Anchorage Financial Data			
FUND EQUITY BALANCE			
Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
(\$ in thousands)			
Balance January 1	106,811	106,026	108,332
Net Income (Loss)	4,215	4,506	6,403
Utility Revenue Distribution	(5,000)	*(2,200)	(4,000)
Balance December 31	106,026	108,332	110,735
Detail of Fund Equity			
Retained Earnings	106,026	108,332	110,735
Contributed Capital			
Total Fund Equity (December 31)	106,026	108,332	110,735

* 1989 Utility Revenue Distribution is \$2,583,004.65 (\$2,200,000 cash and \$383,004.65 reduction of Mariubeni Account Receivable).

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990	
KEY FINANCIAL RATIOS			
Municipality of Anchorage Financial Data			
Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
Current Ratio (times)	1.95	2.55	2.85
Long Term Debt/Gross Plant (%)	51.0	46.9	47.3
Debt/Equity	60/40	58/42	59/41
Rate of Return (%)	7.2	7.2	7.3
Debt Service Coverage (times)	1.78	1.80	1.84
Operating Margin (regulated - %)	19.0	18.7	17.8
Net Profit Margin (total company - %)	4.3	4.6	6.2

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990
Municipality of Anchorage Financial Data			
KEY MEASUREMENT RATIOS Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
Access Lines (average)	114,676	115,577	117,049
Regulated Operating Revenue Per Access Line (\$)	708	702	702
Regulated Operating Expenses Per Access Line (\$)	573	571	577
Total Toll Service Revenue Per Access Line (\$)	379	361	331
Total Local Service Revenue Per Access Line (\$)	216	221	247
Net Book Cost Per Access Line (\$)	1,877	1,824	1,804
Regulated Operating Expense Per \$1,000 Plant Investment	208	206	202
Regulated Operating Revenue Per \$1,000 Plant Investment	257	254	246

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division		Budget Year 1990
Municipality of Anchorage Financial Data			
EXPENSE DETAIL BY TYPE Line Item Description	Year: 1988 Actual	Year: 1989 Pro Forma	Year: 1990 Budget
<u>EXPENSES</u>			
LABOR	42,523	37,000	37,425
MATERIALS, SUPPLIES & CONTRACTS	12,529	13,596	14,057
INTRAGOVERNMENTAL CHARGES	2,558	6,272	6,192
COST OF GOODS SOLD	1,148	1,400	1,200
DEPRECIATION	17,075	18,094	18,815
EQUAL ACCESS AMORTIZATION	126	105	105
MUNICIPAL UTILITIES SERVICES ASSESSMENT			
- MILL RATE	3,185	3,591	3,865
- 1.25 % ASSESSMENT		1,090	1,019
INTEREST AND AMORTIZATIONS	14,980	12,571	12,830
ANCHORAGE ECONOMIC DEVELOPMENT COMMISSION	40	90	84
TOTAL EXPENSES	94,164	93,809	95,592
CELLULAR LOSS	123	310	489

MUNICIPALITY OF ANCHORAGE

Utility ANCHORAGE TELEPHONE UTILITY	Division	Budget Year 1990
--	----------	---------------------

ANCHORAGE TELEPHONE UTILITY
POSSIBLE RATE INCREASES
FOR YEARS 1989 - 1995

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Possible Local Telephone Rate Increases		15.0%	21.8%	10.4%	9.0%	0.0%	0.0%
Monthly Rate	\$8.60 ¹	\$9.90	\$12.05	\$13.30	\$14.50	\$14.50	\$14.50

Between 1986 and 1993, the FCC mandated a shift of costs from the interstate toll jurisdiction to the local rate payer. It is anticipated that the APUC will mandate similar shifts from the intrastate jurisdiction to the local rate payer beginning in 1990 and continuing through 1993. Between 1990 and 1993, these shifts aquate to an annual local rate increase of \$3.1 million. The \$3.1 million represents a smaller percent of local revenue as the local revenue base increases each year.

Although the FCC mandated shifts began in 1986, ATU did not request an increase in local rates until 1988. In 1988, the APUC granted a 20.5% interim rate increase, worth \$2.9 million. The 1989 budget forecasted an increase of 33%. In July 1989, the interim local rates were replaced by a lower permanent local rate increase of 9.42%, an actual decrease of 11.08% or \$2,057 million on an annualized basis.

The 1989 rate order disallowed some plant and regulated expenses. The projected rate increase of 21.8% in 1991 assumes a 9.5% increase resulting from a re-instatement of these items plus a 12.3% jurisdictional shift.

¹Rate shown is the average single party residential service and does not include additional charge for unlimited calling and customer premise equipment.

MUNICIPALITY OF ANCHORAGE

Utility
ANCHORAGE TELEPHONE UTILITY

Division

Budget Year
1990

RESOURCE IMPACTS
LONG RANGE FORECAST
(\$ in thousands)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Revenue	102,484	108,263	108,411	110,000	107,633	109,308
Expenses	<u>96,081</u>	<u>95,107</u>	<u>94,209</u>	<u>95,079</u>	<u>92,301</u>	<u>92,873</u>
Net Income	6,403	13,156	14,202	14,921	15,332	16,435
Regulated Rate of Return	7.3%	10.1%	9.9%	9.9%	9.9%	9.9%
Personnel	684	629	629	629	629	629
Capital Expenditure Budget	16,830	16,848	13,618	13,865	12,979	13,137
Bond Sales	20,000			10,000		

MUNICIPALITY OF ANCHORAGE

Utility

ANCHORAGE TELEPHONE UTILITY

Division

Budget Year
19901990 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

<u>PROJECT TITLE</u>	<u>PROJECT COST</u>	<u>REVENUE</u>	<u>G. O. BONDS</u>	<u>OPERATIONS</u>	<u>STATE GRANT</u>	<u>FEDERAL GRANT</u>
Central Office Equipment	4,971	4,971	-0-	-0-	-0-	-0-
Network Channel Term Equip	260	260	-0-	-0-	-0-	-0-
Outside Plant Systems	5,879	5,879	-0-	-0-	-0-	-0-
Installation	1,403	1,403	-0-	-0-	-0-	-0-
Buildings & Grounds	665	665	-0-	-0-	-0-	-0-
Personal Computers	360	-0-	-0-	360	-0-	-0-
Vehicle Services	549	549	-0-	-0-	-0-	-0-
Company Official Equipment	340	340	-0-	-0-	-0-	-0-
Furniture & Tools	126	126	-0-	-0-	-0-	-0-
Customer Premise Equipment	1,375	-0-	-0-	1,375	-0-	-0-
Cellular Service	152	152	-0-	-0-	-0-	-0-
Computer Software	750	-0-	-0-	750	-0-	-0-
TOTAL	16,830	14,345	-0-	2,485	-0-	-0-

CAPITAL IMPROVEMENT PROJECTIONS

1990 THROUGH 1995

(\$ in thousands)

PROJECT TITLE	1990	1991	1992	1993	1994	1995
Central Office Equipment	\$4,971	\$5,354	\$3,369	\$3,515	\$3,542	\$3,629
Network Channel Terminating Equipment	260	260	260	260	260	260
Outside Plant Equipment	5,879	6,402	4,020	4,115	4,175	4,287
Installation	1,403	1,403	1,585	1,585	1,585	1,585
Building and Grounds	665	581	1,120	1,200	750	500
Personal Computers	360	399	549	299	274	274
Vehicles	549	700	459	525	367	699
Company Official Equipment	340	60	70	75	80	85
Small Tools	94	117	75	79	81	105
Furniture	32	20	24	20	23	21
Customer Premise Equipment for Rent	1,375	1,150	1,205	1,260	1,315	1,370
Cellular Telephone	152	202	282	332	327	322
Computer Software	750	200	600	600	200	
Total Funding	16,830	16,848	13,618	13,865	12,979	13,137

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Central Office Equipment	Switching Systems	Various		\$2,020		\$2,020
	Batch Change Supplement(BCS)	Various		1,447		1,447
	Transmission Equipment	Various		510		510
	Digital Access & Cross Conn System	Various		44		44
	Multiplexors for Fiber Optic Interface	Various		217		217
	Subscriber T-Carrier	Various		312		312
	Test Equipment	Various		81		81
	Subscriber Microwave Radio	Various		108		108
	Special Circuits	Various		200		200
	Subscriber Fiber Optic Terminals	Various		32		32
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$4,971		\$4,971

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Network Channel Terminating Equipment (NCTE)		Various		\$260		\$260
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>				\$260		\$260
Total				\$260		\$260

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Outside Plant Equipment	Terminals	Various		\$82		\$82
	Air Pressure	Various		132		132
	New Buildings	Various		114		114
	Sub-Divisions	Various		198		198
	Rearrangements	Various		279		279
	Cable Additions	Various		871		871
	Duct Systems	Various		13		13
	Pair Gain	Various		36		36
	Undergrounding	Various		244		244
	Distribution Areas	Various		1,647		1,647
	Fiber Optic Cable	Various		1,522		1,522
	Miscellaneous	Various		741		741
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$5,879		\$5,879

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Installation	Station Connects	Various		\$500		\$500
	Subscriber Isolation Devices	Various		200		200
	Pay Stations	Various		343		343
	Subdivision Buried Cable	Various		360		360
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$1,403		\$1,403

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Building and Grounds	Exterior Maintenance	CWC		\$75		\$75
	Urethane Warehouse Metal Roof	PSC		115		115
	Scheduled Facility Maintenance	Various		250		250
	Reroofing	EWC, PSC		225		225
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$665		\$665

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Personal Computers		Various		\$360		\$360
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$360		\$360

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Vehicles	Fleet Services	PSC		\$549		\$549
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$549		\$549

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Company Official Equipment		Various		\$340		\$340
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$340		\$340

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Small Tools & Equipment		Various		\$94		\$94
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$94		\$94

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Furniture		Various		\$32		\$32
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$32		\$32

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Customer Premise Equipment for rent (CPE)	CPE Demonstration Equipment	PSC		\$375		\$375
	CPE for Rental	PSC		1,000		1,000
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$1,375		\$1,375

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Cellular Telephone	Capital Investment in MACTel			\$152		\$152
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u> Total				\$152		\$152

BUDGET YEAR PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

Project Category	Project Title	Location	Funding			
			Bonds	Operations	Grants	Total
Computer Software	Inside Plant/ Outside Plant Records Automation	Various		\$750		\$750
PREPARED BY <u>M. Reynolds</u> DATE <u>8-04-89</u> Total				\$750		\$750

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Central Office Equipment	Switching Systems	Various	\$2,272	\$310	\$338	\$399	\$409
	Batch Charge Supplement(BCS)	Various	1,800	1,800	1,800	1,800	1,800
	Transmission Equipment	Various	510	510	510	510	510
	Digital Access & Cross Conn Syst.	Various	42	42	142	44	44
	Multiplexors for Fiber Optic Interface	Various	68	0	0	0	0
	Subscriber T-Carrier	Various	336	360	391	418	411
	Test Equipment	Various	75	100	75	100	75
	Special Circuits	Various	200	200	200	200	200
	Subscriber Microwave Radio	Various	12	0	0	12	148
	Subscriber Fiber Optic Terminals	Various	39	47	59	59	32
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$5,354	\$3,369	\$3,515	\$3,542	\$3,629

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Network Channel Terminating Equipment (NCTE)		Various	\$260	\$260	\$260	\$260	\$260
Source of Funding							
G.O. Bonds							
Revenue Bonds							
Operations							
State Grants							
Federal Grants							
PREPARED BY <u>M. Reynolds</u>	DATE <u>7-21-89</u>	Total	\$260	\$260	\$260	\$260	\$260

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Outside Plant Equipment	Terminals	Various	\$84	\$88	\$92	\$97	\$102
	Air Pressure	Various	135	140	147	155	161
	New Buildings	Various	154	207	255	295	315
	Sub-Divisions	Various	235	360	422	505	520
	Rearrangements	Various	286	302	312	327	343
	Cable Additions	Various	657	461	473	497	521
	Duct Systems	Various	14	15	16	18	19
	Pair Gain	Various	170	202	256	248	260
	Undergrounding	Various	244	60	61	66	67
	Distribution Areas	Various	1,742	1,824	1,647	1,591	1,667
	Fiber Optic Cable	Various	365	195	268	304	240
Miscellaneous	Various	2,316	166	166	72	72	
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$6,402	\$4,020	\$4,115	\$4,175	\$4,287

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Installation	Station Connects	Various	\$500	\$600	\$600	\$600	\$600
	Subscriber Isolation Devices	Various	200	200	200	200	200
	Pay Stations	Various	343	425	425	425	425
	Sub-division Buried Cable	Various	360	360	360	360	360
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$1,403	\$1,585	\$1,585	\$1,585	\$1,585

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Building and Grounds	New Roof	NWC	\$50	\$0	\$0	\$0	\$0
	Exterior Painting	PSC	0	170	0	0	0
	Urethane Roof	PSC	0	295	0	0	0
	New Carpet	CWC, SWC, PSC	100	125	40	180	0
	Refurbish Breakrooms	NWC, RCWC, OMWC, PSC	36	0	0	25	0
	Air Handeling Systems	Various	95	180	155	45	0
	Fencing	EWC, WWC, RCWC, OMWC, PSC	0	0	120	0	0
	Boiler Replacement	EWC, NWC, PSC	0	0	180	0	0
	Grounds Maintenance	Various	0	0	125	0	0
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	_____	_____	_____	_____	_____
			<u>Continued on the next Page</u>				

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Building and Grounds	Pave Maintenance Lots	Various	\$0	\$0	\$280	\$0	\$0
	Scheduled Facility Maintenance	Various	300	350	300	500	500
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$581	\$1,120	\$1,200	\$750	\$500

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Personal Computers		Various	\$399	\$549	\$299	\$274	\$274
Source of Funding		G.O. Bonds					
		Revenue Bonds					
		Operations	399	549	299	274	274
		State Grants					
		Federal Grants					
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$399	\$549	\$299	\$274	\$274

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Vehicles	Fleet Services	PSC	\$700	\$459	\$525	\$367	\$699
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$700	\$459	\$525	\$367	\$699

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Company Official Equipment		Various	\$60	\$70	\$75	\$80	\$85
Source of Funding		G.O. Bonds					
		Revenue Bonds					
		Operations					
		State Grants					
		Federal Grants					
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$60	\$70	\$75	\$80	\$85

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Small Tools & Equipment		Various	\$117	\$75	\$79	\$81	\$105
Source of Funding		G.O. Bonds					
		Revenue Bonds					
		Operations					
		State Grants					
		Federal Grants					
PREPARED BY <u>M. Reynolds</u>	DATE <u>7-21-89</u>	Total	\$117	\$75	\$79	\$81	\$105

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Furniture		Various	\$20	\$24	\$20	\$23	\$21
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$20	\$24	\$20	\$23	\$21

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Customer Premise Equipment for rent (CPE)	CPE Demonstration Equipment	PSC	\$100	\$105	\$110	\$115	\$120
	CPE for Rental	PSC	1,050	1,100	1,150	1,200	1,250
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY _____	DATE _____	Total	\$1,150	\$1,205	\$1,260	\$1,315	\$1,370

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Cellular Telephone	Capital Investment in MACTel		\$202	\$282	\$332	\$327	\$322
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>7-21-89</u>		Total	\$202	\$282	\$332	\$327	\$322

FUTURE CAPITAL PROJECTS
(\$000 omitted)

Utility Anchorage Telephone Utility

PROJECT CATEGORY	PROJECT TITLE	LOCATION	BUDGET BY YEAR				
			1991	1992	1993	1994	1995
Computer Software	Operating Interface	Various	\$200			\$200	
	DCRIS I Replacement	Various		\$600			
	Billing System	Various			\$600		
Source of Funding		G.O. Bonds	_____	_____	_____	_____	_____
		Revenue Bonds	_____	_____	_____	_____	_____
		Operations	_____	_____	_____	_____	_____
		State Grants	_____	_____	_____	_____	_____
		Federal Grants	_____	_____	_____	_____	_____
PREPARED BY <u>M. Reynolds</u> DATE <u>8-04-89</u>		Total	\$200	\$600	\$600	\$200	_____