

ANCHORAGE TELEPHONE UTILITY

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Mission

The mission of the Anchorage Telephone Utility is to provide modern and reliable telecommunications services to its customers at reasonable and affordable prices.

Goals

- Plan, procure and implement modern switching and transmission systems to meet customer service requirements.
- Provide new service offerings consistent with state-of-the-art communications equipment technology.
- Establish and maintain procedures and controls to ensure prudent management of financial and human resources.
- Successfully market and maintain customer premise equipment at competitive prices.
- Promote a harmonious, rewarding, and efficient workplace environment in order to retain highly qualified personnel.

Factors Driving the Utility

- Growth in the Anchorage population with concomitant increase in demand for efficient, timely and reliable residential telephone services.
- Growth in business demand for modern and competitively priced telecommunications services.
- Federal Communications Commission shifting of costs previously paid by long-distance telephone users to local telephone users.
- Deregulation of customer premise equipment (CPE) and emphasis on being able to successfully offer CPE at competitive prices.
- Potential competition from emerging communications technology that may allow affordable by-pass of ATU's facilities.
- 1982 Consent Decree and successful implementation of a career development and training program.
- Implementation of tariffs for interexchange carriers accessing ATU's local facilities.

Planning Assumptions

1. DEMAND FOR TELEPHONE ACCESS LINES

- Residential customer demand for telephone access lines will increase at an average annual rate of 5.0% for the period.
- Business demand for telephone access lines will grow at an average annual rate of 6.6% for the period.

	1982 Actual	1983 Estimate	1984 Plan	1985 Plan	1986 Plan	1987 Plan	1988 Plan	1989 Plan
Residential Access Lines	66,310	71,855	76,559	81,173	85,732	89,829	92,955	96,196
Business Access Lines	29,602	33,645	37,100	40,219	42,775	44,977	47,175	49,467
TOTAL	95,912	105,500	113,659	121,392	128,507	134,806	140,130	145,663

Planning Assumptions (Continued)

2. ACCESS CHARGES

- Revenues received for furnishing local exchange access to interexchange carriers will be equivalent to that which would have been received using historical cost separations procedures.
- Interstate access charges will be implemented per FCC procedures.
- Intrastate recovery of costs will be accomplished in the traditional settlement process.
- Demand for telephone services will not be unfavorably affected with the implementation of access charges.

3. CUSTOMER PREMISE EQUIPMENT (CPE)

- CPE in place prior to 1983 will continue to be regulated in 1984.
- Inside wiring will be deregulated in 1984.
- ATU will continue to market new CPE services on a deregulated basis during 1984 - 1989.
- Deregulated CPE services will earn a modest profit in 1984 with profit margins improving in future years.

Objectives and Programs

CAPITAL PROGRAMS

- Upgrade Existing Switching Centers with State of the Art Equipment
 - 1984 \$7.5 million
 - 1986 \$9.8 million
 - 1988 \$4.5 million
- Expand Capacity of Digital Switching Systems to Meet Customer Demand
 - 1986 \$7.0 million
 - 1988 \$9.1 million
- Enter Anchorage Market with Cellular Mobile Radio Service
 - 1984 \$1.5 million
 - 1985 - 89 \$.4 million per year
- Expand Use of State of the Art Fiber Optic Cable
- Enhance Automated Management Information Systems
- Convert Overhead Distribution Facilities to Underground Systems
 - 1984 \$1.7 million
 - 1985 - 89 \$.6 million per year
- Provide Distribution Systems Consistent with Major Switch Expansion and Changes in Demand for Services
 - 1984 \$9.0 million
 - 1985 - 89 \$8.2 million per year
- Upgrade and Replace Vehicles and Vehicle Support Services
 - 1984 \$2.8 million
 - 1985 - 89 \$2.0 million per year
- Remodel and Modernize Building Facilities
 - 1984 \$.5 million
 - 1985 - 89 \$.4 million per year

OPERATING PROGRAMS

- Develop Compensatory and Workable Access Charge Tariffs
- Maintain Basic Service Costs at Affordable Levels
- Develop Separate Financial Reporting for Regulated and Deregulated Activities
- Develop a Departmental Operating Statement and Budget and Cost Controls
- Develop Marketing Strategy Plan for Customer Premises Equipment
- Develop More Efficient and Responsive Product Pricing System
- Develop Resources for More Effective Sales Delivery
- Deliver Efficient and Reliable Service in Both the Regulated and Deregulated CPE Markets
- Lower New Service Connection Intervals
- Lower Trouble Incidents per Main Station
- Implement Career Counseling and Employee Training Programs

MANPOWER FORECAST

DIVISIONS	1983	1984	1985	1986	1987	1988	1989
General Manager	6	7	7	7	8	8	8
Market Services	252	252	252	253	254	256	257
Finance & Administration	167	168	169	171	172	174	176
Utility Services	373	378	382	389	392	398	403
TOTAL	798	805	810	820	826	836	844

RESOURCE IMPACTS

	1984	1985	1986	1987	1988	1989
Growth Factors						
Access Lines (% Growth)	7.7%	6.8%	5.9%	4.9%	3.9%	3.9%
Bonds Sales (thousands)	\$ 18,000	\$ 14,900	\$ 17,200	\$ 10,800	\$ 21,700	\$ 15,000
Personnel Increases						
General Manager	1	0	0	1	0	0
Market Services	0	0	1	1	2	1
Finance & Administration	1	1	2	1	2	2
Utility Services	5	4	7	3	6	5
TOTAL	7	5	10	6	10	8
Revenue (thousands)	\$105,846	\$118,248	\$131,010	\$145,682	\$160,400	\$176,606
Expenses (thousands)	96,106	106,641	117,980	131,194	144,444	159,033
Net Income (thousands)	\$ 9,740	\$ 11,607	\$ 13,030	\$ 14,488	\$ 15,956	\$ 17,573
Possible Rate Increases						
—Interstate Access Charges (Monthly)						
Business	\$ 6.00	\$ —	\$ —	\$ 1.00	\$ —	\$ 1.00
Residential	2.00	1.00	1.00	1.00	—	1.00
—Directory Assistance, per call	.25	—	—	.05	—	—
(no charge for first 3 calls)						

1984 BUDGET IMPACTS

Operational

- ATU implemented a program of statewide directory assistance in mid-1983. The full-year impact on operating expenses in 1984 will be \$958,000. Additional revenues to cover these costs will be obtained through an agreement with Alascom.
- The 1982 consent decree requires ATU to provide career guidance, training, and counseling. The 1984 cost is estimated to be \$238,000.
- In 1984 a portion of ATU's toll revenue formerly obtained through the settlements process with Alascom will be shifted to all telephone subscribers regardless of whether or not they make long distance telephone calls. This will increase the average monthly phone bill of ATU's customers. A customer awareness program will be conducted by ATU to inform the average phone user of how and why this new charge is being levied. The campaign will consist of both printed and electronic information. The cost of the program is estimated at \$50,000 for 1984.
- In 1984 ATU will incur approximately \$100,000 in travel related expenses over that projected for 1983. This increase is attributed to training required by the IBEW contract, training and evaluation of new technologies, consent decree related training and regulatory activities.

Capital

- Engineering design and contract negotiations will be implemented on a major switch project for the North Wire Center. This wire center serves the downtown business district of Anchorage. The digital switch will replace an electro-mechanical X-Y switch now serving customers with the 274 and 278 exchange prefix. The cost of this upgrade is \$7.5 million. The cutover to the new switch is expected in 1985.
- Expansion of communications services offered by ATU will be made in the area of mobile radio service. Employing the new cellular technology, ATU will offer a price effective and superior quality mobile telephone service compared to what is currently available. Initial equipment costs to provide this service is \$1.5 million.
- A major expansion of the vehicle maintenance and storage facility will be accomplished in 1984. This will cost \$2.0 million.

BUDGET SUMMARY

	1982 ACTUAL	1983 PRO-FORMA	1984 PROPOSED
OPERATING BUDGET			
Revenue	\$ 85,536,659	\$ 103,516,400	\$ 105,845,617
Expense	73,204,476	80,139,822	96,105,799
Net Income	\$ 12,332,183	\$ 23,376,578	\$ 9,739,818
CAPITAL BUDGET			
Central Office Engineering	\$ 8,245,000	\$ 11,898,000	\$ 13,725,000
Outside Plant	6,000,000	6,155,000	8,985,000
Vehicles, Major Tools, and Furniture	966,000	1,161,100	1,225,000
Buildings	326,000	324,000	3,127,000
Other	1,973,000	1,921,000	400,000
Capital Improvement Budget Before CPE	\$ 17,510,000	\$ 21,459,100	\$ 27,462,000
Customer Premise Equipment	7,349,000	8,068,000	4,700,000
TOTAL CIP	\$ 24,859,000	\$ 29,527,100	\$ 32,162,000