



General Manager
334 Front Street
Ketchikan, AK 99901

Phone (907) 228-5603
Fax (907) 225-5075

TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting General Manager

DATE: January 24, 2022

RE: **Ordinance No. 22-1942 – Amending Chapter 11.12, Telecommunications Service and Rates of the Ketchikan Municipal Code; Providing for a Public Hearing; and Establishing an Effective Date**

The attached ordinance was approved in first reading at the City Council meeting of January 20, 2022. If adopted in second reading, Ordinance No. 22-1942 formalizes rates for products and services provided by the Telecommunications Division, which were previously authorized by the General Manager's Office through interim tariffs.

The details of and rationale for the modifications are detailed in Mr. Cushing's transmittal memorandum and require little elaboration on the part of the General Manager's Office. I concur with the Telecommunications Division Manager's recommendation.

The Telecommunications Division Manager will attend the City Council meeting of February 3, 2022, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended that the City Council adopt the motion approving in second reading Ordinance No. 22-1942 amending Chapter 11.12, Telecommunications Service and Rates, of the Ketchikan Municipal Code; providing for a public hearing; and establishing an effective date.

Recommended Motion: I move the City Council approve in second reading Ordinance No. 22-1942 amending Chapter 11.12, Telecommunications Service and Rates, of the Ketchikan Municipal Code; providing for a public hearing; and establishing an effective date.



KPU Telecommunications

2970 Tongass Avenue
Ketchikan, AK 99901

Phone (907) 225-1000

FAX (907) 225-1788

Memorandum

To: Lacey Simpson, Acting KPU General Manager

From: Ed Cushing, KPU Telecommunications Division Manager

Date: January 11, 2022

Subject: **Ordinance No. 22-1942 – Amending Chapter 11.12 Telecommunications Service and Rates of the Ketchikan Municipal Code; Providing for a Public Hearing; and Establishing an Effective Date**

This memorandum introduces Ordinance No. 22-1942 amending Chapter 11.12 Telecommunications Service and Rates - for consideration by the City Council at the January 20, 2022 City Council meeting.

In preparing the 2022 KPU Telecommunications Division Annual Budget, staff programmed in a \$10 per customer increase in television rates. Since the TV content providers continue to increase the rates that KPU must pay to acquire their content annually, it is important to periodically increase rates. We are behind the curve in rate increases due to curbing rate increases during the pandemic. The last increase in TV rates was in 2018 with Ordinance No.18-1882.

This Ordinance increases the rates for most of our TV packages by 15% to 20% with the exception of the Basic package, which was decreased by \$15 per month. Decreasing the Basic package will give streaming customers, or customers with financial constraints a viable service package to move to. For all other packages we programmed the increases to even the margins for each of the packages. These rate increases are necessary to absorb a portion of the annual wholesale increases in TV content costs. The pricing on our legacy packages has not kept pace with the increased cost of content. We also made small increases to the premium channels, such as HBO and Cinemax to keep pace with escalating content costs. The average rate increase based on all customers will be right around \$10 and will accomplish the additional revenues projected in the 2022 annual budget to pay for the increased content costs. Our packages remain competitive in the marketplace.

Recommended Motion: I move that the City Council approve in first reading, Ordinance No. 22-1942 – Amending Chapter 11.12 Telecommunications Service and Rates of the Ketchikan Municipal Code; Providing for a Public Hearing; and Establishing an effective date.

Cc: Michelle Johansen, Finance Director

THE CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 22-1942

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA; AMENDING CHAPTER 11.12 TELECOMMUNICATIONS SERVICE AND RATES OF THE KETCHIKAN MUNICIPAL CODE; PROVIDING FOR A PUBLIC HEARING; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, AS FOLLOWS:

Section 1: Amendment: Section 11.12.100 of the Ketchikan Municipal Code entitled “Digital video service rules, regulations, services and rates.” is amended as follows:

11.12.100 Digital video service rules, regulations, services and rates.

(a) General. Digital video service is a television service that provides various numbers of channels of video content, premium channel selection, video-on-demand and pay-per-view selections. KPU provides digital video service where facilities exist as determined by KPU, in the Ketchikan service area described in KMC [11.12.040](#). An applicant for digital video service must have current, voice grade telephone and Internet service with KPU Telecommunications. Customers may check availability of service in their area by calling the KPU business office. Digital video service rules and service descriptions are established in this section.

- (1) The rules, regulations, services and rates for digital video service are subject at all times to addition, change, or abolition after proceedings duly held under procedures established in the City Charter and the Ketchikan Municipal Code.
- (2) In the event new, additional or modified rates are adopted and incorporated into the rate schedule, KPU will take such measures as may be practicable to advise the customers who may be affected by such new, additional, or modified rates that such rates have become effective.
- (3) KPU will only be responsible for its equipment or plant and in no way will be liable for the condition of customer/subscriber owned equipment.
- (4) It is the subscriber's responsibility to provide receiving equipment compatible with the service provided by KPU and capable of receiving the same. No equipment, apparatus, circuit, or device shall be connected, attached or coupled to the facilities except as provided in the tariff, unless specifically authorized in writing by KPU. KPU shall have the right to remove such device, to

suspend service during continuation of such attachment or connection, or to terminate service.

Note: Subscriber is not responsible for provision of the set-top box.

(5) KPU may remove any or all of its property located on the subscriber's premises at the termination of service, as provided by the company's tariff.

(6) The subscriber will be held responsible for loss or damage to equipment furnished by KPU on property under the subscriber's control. Upon termination of service, the subscriber must return, in serviceable condition, all company owned equipment. The subscriber will be charged at cost plus a reasonable handling fee for all lost or unserviceable equipment that was provided to the subscriber by KPU.

(7) Where electric power is required in the operation of equipment and service, the subscriber shall furnish, install, and maintain the necessary wiring and outlets on the subscriber's premises and supply any necessary electrical energy at the subscriber's expense.

(8) Installation charges will be waived provided the customer maintains service for a minimum of 12 months. A new customer subscribing to multiple services which would ordinarily have separate installation charges will be reduced to a single installation charge, provided all services are installed during one installer visit. Subsequent services added after the initial installer visit will renew the 12-month installation commitment waiver.

(9) Activation charges for certain KPU TV packages will be billed on the first billing after completed appointment for setup.

(b) Description of Service. Digital video service will be provided in up to four simultaneous video streams to carry the service package selected by the subscriber. The number of television sets is not limited; however, additional set-top boxes will be assessed a monthly charge.

(1) KPU will offer a variety of service packages. Subscribers will be able to choose packages based on their lifestyle preference plus additional premium channel packages, pay-per-view events, and video-on-demand services.

(2) Interactive/electronic program guides (IPG or EPG) that allow subscribers to look ahead in time for program offerings, search program listings and block objectionable programming based on the program's rating will be provided.

(3) No specific amount of material is guaranteed to be transmitted and in no case will subscriber rates be based on the number of channels used for transmission.

(c) Classes of Service. The applicability of commercial (business) or residential installation charges shall be governed by the physical location where service is to be installed or the intended use of the service to be provided.

(1) Residential Service. Residential installation and service charges shall apply for private residences; in residential units of hotels, motels, apartment buildings, and boarding houses, when being individually served and where billings to units are collected by individual account numbers.

(2) Business Service. Business installation and service charges shall apply for offices, stores, factories, and all other places of a business nature, including hotels, motels, clubs, lodges and apartment buildings (where the billing is collected under one account number for all units within the apartment complex), all fire stations, police stations, libraries, schools, hospitals, correctional facilities, and other government agencies.

(d) Service Descriptions. Subscribers will be able to choose packages based on their preferences. Channel selections will be offered as follows: sports; news; family; movie; children's; shopping; education and entertainment; and entertainment and music.

(1) Basic Package. The basic package includes one set-top box and all public, educational, and government access as well as broadcast networks and music channels.

(2) Essentials Package. The essentials package includes one set-top box and all public, educational, and government access as well as a limited lifestyle-based channel selection.

(3) Enhanced Package. The enhanced package includes one set-top box and all public, educational, and government access as well as an enhanced lifestyle-based channel selection, and free on-screen caller ID service.

(4) Definitive Package. The definitive package includes one set-top box and all public, educational, and government access as well as a premium lifestyle-based channel selection, and free on-screen caller ID service.

(5) Local Channel Package. The local channel package includes one set-top box and all KPU TV produced local channels. This package is not available to residential customers as a standalone package.

(6) Foundation Pack. The foundation pack includes one set-top box and all public, educational, and government access as well as select broadcast networks and music channels. Subscription to at least one bundle pack is required.

(7) Bundle Pack. The bundle pack(s) are add-on sets of channels to allow content customization for the subscriber. Subscription to the foundation pack is required.

(8) Bundled Services. Service bundles that combine digital video service with telephone, telephone features and Internet service may be developed to provide popular services at a competitive price that is less than purchasing each service separately. Term plans will offer discounts for term of service commitments.

(9) Commercial Package. The commercial package includes one set-top box and all public, educational, and government access as well as broadcast networks and music channels.

(10) The personal video recorder (PVR/DVR) is offered as an optional service within the set-top box. This service allows the subscriber to digitally record programming to watch at a later time.

(11) High Definition (HD) is offered as an optional service within the set-top box. Service is limited to areas where sufficient facilities exist as determined by KPU. In order to view HD video streams, an HD capable television is required. Subscription includes service to all set-top boxes at the location, including all available HD quality channels which are included as standard definition for the IPTV package the customer is subscribed to.

(12) Whole home is offered as an added function to the PVR feature. Whole home allows two channels to be recorded at the same time and recordings may be played back through any connected set-top box. The whole home charge is in addition to the listed PVR charge. Whole home service varies by location and bandwidth capabilities. Customers served over fiber to the home (FTTH) have the ability to purchase additional recording streams.

(13) The pause live TV on standard set-top box is an added memory chip installed into the standard set-top box. It allows the standard set-top box to pause the live TV feed. The customer will pay the listed monthly charge.

~~(14) Ultra High Definition (UHD) is offered as an optional service within the set-top box. Service over fiber facilities is required. In order to view UHD video streams, a UHD capable television is required, preferably HDR. Subscription to this service includes all available UHD quality channels to all set-top boxes at the location.~~

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(e) Individual Contract Basis (ICB) Arrangement. Individual contract basis arrangements may be developed for video services to meet a bona fide request from a customer or prospective customer under the guidelines established in KMC [11.12.060\(g\)](#).

(f) Promotions. Promotional pricing may be offered from time to time as authorized under KMC [11.12.060\(h\)](#).

(g) Rate Schedules.

(1) Monthly recurring rates and pay-per-view rates:

Description	Rates
Basic Package	\$39.99 <u>24.95</u>
Essentials Package	\$61.81 <u>74.95</u>
Enhanced Package	\$67.81 <u>79.95</u>
Definitive Package	\$73.81 <u>84.95</u>
Local Channel Package	\$21.80 <u>29.95</u>
Commercial Package	ICB
Foundation Pack	\$44.95 <u>49.95</u>
	\$2.95 to \$20.95
Bundle Pack(s)	<u>\$2.95 to \$21.95</u>
Flex Pack On-Screen Caller ID	\$0.99
	\$1.95 to \$40.95
Premium Channel and Sports Package	<u>51.95</u>
Subscription Video on Demand	\$1.95 to \$34.95
Hospitality KPU TV	\$15.50 <u>15.59</u>
Hospitality HBO	\$3.75 <u>\$4.59 to \$6.58</u>
Hospitality Showtime	\$3.50 <u>\$4.19 to \$6.18</u>
Additional Set-Top Box	\$6.95
Personal Video Recorder (PVR)	\$8.95

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Description	Rates
High Definition Service	\$9.95
Ultra High Definition Service	\$4.95
On-Screen Caller ID	\$2.95
Pause Live TV on Standard STB	\$2.99
Pay-per-View Movies/Events	\$1.95 to \$34.95
Special Events	\$24.95 to \$99.95
Video on Demand	\$0.00 to \$14.95
Television Vacation Rate	\$5.00
Hospitality Television Vacation Rate	\$1.00
Additional HD Video Streams (2)	\$2.00
Unlimited Data Credit (residential only)	\$30.00cr

(2) Nonrecurring Rates:

Description	Rates
Activation Fee	\$39.95
Installation Charge	\$99.00
PVR Installation Charge	\$99.00
High Definition Service Installation Charge	\$99.00
Reconnect (field visit not required)	\$20.00
Transfer Fee (premises move)	\$99.00
Trip Charge	\$20.00
HDMI Converter Cord	\$9.95
Lost or Damaged Equipment	Cost plus handling fee

(h) Bundled Services and Term Plans.

(1) Residential "Take-Two" Bundle. Ten percent residential take-two savings bundle is available only to standalone Internet customers who also subscribe to any combination of IPTV services. The 10 percent discount is applied to tariff rates only and does not apply to taxes, surcharges or consumer broadband only loop charges. The take-two bundle applies to both new and existing accounts with the qualifying services.

(2) Residential "Take-Three" Bundle. Fifteen percent residential take-three savings bundle is available only to digital video subscribers, includes any combination of IPTV package, Internet and local wireline voice service "residential plus (R1)." The 15 percent discount is applied to tariff rates only and does not apply to taxes, surcharges or subscriber line charges. The take-three bundle applies to both new and existing accounts with the qualifying services.

(A) Vacation Rate. "Take-three" bundle customers may, upon request, temporarily suspend television service for a period of not less than 30 days by paying the monthly recurring television vacation rate. Television vacation rate will be available after the minimum service commitment of three months has been met. Television vacation rate is in addition to Internet vacation if all three services are on vacation. When an account is on vacation service, the equipment will stay in place at the service location, and the account will be temporarily inactivated. The service location must remain the same for vacation inactivation and activation. If the location will not be the same address upon being reconnected, the customer will need to disconnect the service, return the equipment and establish new service at the new location when they want to reconnect service. Three months of paid service must transpire before an additional vacation rate period may be requested.

(3) Residential KPU TV Plan. Residential KPU TV customers are eligible to receive a discount equal to the cost of unlimited data transfer service.

Section 2: Public Hearing. A public hearing on the aforesaid amendments shall be held at the Council Chambers on February 3, 2022.

Section 3: Effective Date. This ordinance is effective one (1) month after its final passage and publication.

PASSED ON FIRST READING:_____

FINAL PASSAGE_____

Dave Kiffer, Mayor

ATTEST:

Kim Stanker
City Clerk

**Letter of Support for Southeast Conference's Grant Application
to the Community Wood Energy Grant Program**

Moved by Kistler, seconded by Mahtani, the City Council authorize a letter from Mayor Kiffer on behalf of the City to the United States Forest Service Community Wood Energy Grant Program in support of Southeast Conference's grant application to fund a containerized wood pellet mill in Ketchikan.

Motion passed with Flora, Zenge, Gass, Mahtani, Kistler and Bradberry voting yea; Gage absent.

**Ordinance No. 22-1942 – Amending Chapter 11.12,
Telecommunications Service and Rates of the Ketchikan
Municipal Code – First Reading**

Copies of Ordinance No. 22-1942 were available for all present.

Moved by Kistler, seconded by Mahtani, the City Council approve in first reading Ordinance No. 22-1942 amending Chapter 11.12, Telecommunications Service and Rates of the Ketchikan Municipal Code; providing for a public hearing; and establishing an effective date.

Assistant Telecommunications Division Manager Dan Lindgren answered questions from the Council.

Councilmember Bradberry said this is not an essential service, but she would like to see during budget time that all departments provide a more structured rate plan, so it is not a rate shock.

Motion passed with Kistler, Gass, Zenge, Bradberry and Flora voting yea; Mahtani voting nay; Gage absent.

Discussion of Electric Fees – Councilmember Gage

A request to withdraw this item from the agenda, and no objections were heard.

VOUCHERS - None

CITY MANAGER'S REPORT

Acting City Manager Simpson informed she has had conversations with Patti Mackey of the Ketchikan Visitors Bureau (KVB) to organize a work session between the Council and the different local players that are involved with the cruise industry in terms of planning and development. She said the date selected for the work session with the Ketchikan Visitors Bureau is tentatively scheduled for Tuesday, February 22, 2022 at 6:00 p.m. at the Ted Ferry Civic Center. It was the consensus of the Council to have staff move forward with that date.

**Schedule of General Government and KPU Appropriated
Reserves Through the City Council Meeting of January 6, 2022**

Acting City Manager Simpson attached for Council review a schedule of General Government and KPU Appropriated Reserves through the City Council meeting of January 6, 2022.