

CITY OF UNALASKA  
UNALASKA, ALASKA

RESOLUTION 2025-34

A RESOLUTION OF THE UNALASKA CITY COUNCIL RENEWING THE CITY'S POLICY ON PARTICIPATION IN FUNDING ELECTRIC PRIMARY AND SECONDARY UTILITY LINE EXTENSIONS FOR A FOUR-YEAR PERIOD STARTING FISCAL YEAR 2026 ENDING FISCAL YEAR 2029

WHEREAS, there exists in the community the need for industrial, commercial and residential construction; and

WHEREAS, the costs to extend electric utilities are often a factor in determining the feasibility of a construction project; and

WHEREAS, the Unalaska City Council desires to provide funding for each customer class at a level that makes the extension affordable for the customer, but also allows reasonable return on investment for the utility; and

WHEREAS, the Unalaska City Council wishes to assist with funding Industrial, Large General and Small General primary and secondary electrical line extensions; and

WHEREAS, it is reasonable for the electric utility to invest in a service if the annual revenue raised from that service is equal to or greater than the City's investment; and

WHEREAS, for secondary electric line extensions shorter than 300 feet, the City will make reasonable efforts to reduce customer costs; and

WHEREAS, In situations where multiple nearby customers are involved, the City may extend services up to the public right-of-way at a location that fairly serves all parties; and

WHEREAS, the Unalaska City Council has determined that City funding shall not, in any event, exceed seventy-five percent (75%) of the cost of extension of secondary electric lines and shall not exceed the following:

|  |               |
|--|---------------|
| Industrial Service Connection:                           | \$120,000.00  |
| Large General Service Connection:                        | \$46,000.00   |
| Small General Service Connection:                        | \$6,800.00    |
| Residential Connection:                                  | \$2,000.00    |
| Subdivisions, Developments, and Primary Line Extensions: | Per agreement |

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council approves the renewal of the City's policy on participation in funding electric primary and secondary line extensions for a four-year period starting July 1, 2025; and

BE IT FURTHER RESOLVED that this policy of funding utility extensions will continue until June

30, 2029, at which time Unalaska City Council can reconsider whether or not to continue such funding.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on June 24, 2025.

  
Vincent M. Tutiakoff, Sr.  
Mayor

ATTEST:

  
Estkairen P. Magdaong, CMC  
City Clerk



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## MEMORANDUM TO COUNCIL

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To: Mayor and City Council Members  
From: Erik Hernandez, Acting Utilities Director  
Through: William Homka, City Manager  
Date: June 24, 2025  
Re: Resolution No. 2025-34 Renewing the City's policy on participation in funding electric primary and secondary utility line extensions for a four-year period starting July 1, 2025 and ending July 1, 2029

Resolution No. 2025-35 Renewing the City's policy on participation in funding water and wastewater utility extension costs for primary and secondary line extension for a four-year period starting July 1, 2025 and ending July 1, 2029

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**SUMMARY:** Resolutions 2025-34 and 2025-35 authorize continuation of the City's policy of financial participation in utility service extensions. The resolutions define the City's policy on participation in the cost of the extension of primary Electric, Water and Sewer services for Industrial ratepayers, and for the extension of primary and secondary Electric, Water and Sewer lines for Residential ratepayers.

**PREVIOUS COUNCIL ACTION:** Council first enacted the policy of financial participation in Water and Wastewater primary lines in FY1991.

In FY2000, Council expanded the policy to include Residential, Small General, Large General, and Industrial Electric primary line extensions.

Each year since their inception, Council has approved resolutions allowing the City to participate financially in Utility line extensions.

In FY21, Council agreed to seek ways to extend the approval time to avoid revisiting this policy on an annual basis. As a result, Resolutions, 2021-38 and 2021-39 were adopted, effective from July 1, 2021 through July 1, 2025.

**BACKGROUND:** The City recognized that extending primary and secondary utilities can be very costly for property owners in Unalaska. The program was designed to help reduce those costs, encourage development and long-term community sustainability.

The program was initially funded through the General Fund and provided financial assistance to property owners and developers for water and wastewater extensions. The goal was to stimulate development and reduce project costs, particularly at a time when housing was needed due to the growing industry.

In FY2000, the program was expanded to include electric utility line extensions. At that point, reimbursement rates for water and wastewater increased from 50% to 75% with a cap of \$75 per linear foot of *mainline*. Additionally, the financial burden began to shift to the utility funds rather than remaining solely on the General Fund. Title 10: Public Utilities permits reasonable utility

investment in new service extension when the projected revenue from that service meets or exceeds the City's investment.

As part of a work session on December 21, 1999, a rough estimate of the potential revenue from each customer class was presented with the proposed reimbursement range:

|   |                                       |
|---|---------------------------------------|
| Industrial Service Connection:            | \$90,000.00                           |
| Large General Service Connection:         | \$36,000.00                           |
| Small General Service Connection:         | \$5,300.00                            |
| Residential Connection:                   | \$1,400.00                            |
| Subdivisions and Primary Line Extensions: | Provide section cans and Transformers |

The proposed amounts were designed to provide consistent financial assistance across all customer classes while ensuring a reasonable return on investment for the utility. The "not to exceed 75%" clause was included to ensure that the utility would not be responsible for covering the full cost of the installation.

**DISCUSSION:** During the June 10, 2025 City Council work session, the Council requested staff to provide additional information on the reimbursement ranges, specifically why and how those amounts were determined and potential adjustments to the reimbursement amounts. In response, Staff reviewed past resolutions and documentation, evaluated current cost estimates, and consulted with former staff members to gain a deeper understanding of the policy.

These resolutions are brought forward for Council's consideration every four fiscal years to identify the City's policy on financial participation in Water, Sewer and Electric utility extension costs. These resolutions, if approved, will expire on June 30, 2029.

#### **Water & Wastewater Extensions:**

As previously noted, the original reimbursement rate of 50% was established to support development and reduce utility installation costs during a time of increased housing demand. Although the original memos do not include a rationale for establishing the 50% reimbursement, it aligns with the deposit amount of 50% typically required to initiate a utility installation.

In FY2000, the reimbursement structure was revised to cover up to 75% of the cost of extensions, or not to exceed \$75 per linear foot of *mainline* for water and wastewater installations. Documentation for the cost basis could not be found, but it is assumed the figure was based on engineer estimates. Current costs for mainline installation – including trenching, labor and materials – range from \$150 - \$200 per linear foot, depending on system design and materials used.

Over the course of several policy renewals, the "not to exceed \$75 per linear *mainline* foot" was adjusted to "not to exceed \$75 per linear foot" extending the reimbursement cap for water and wastewater to include the service installations.

In reviewing the policy, installation practices and current cost estimates, staff recommends the reimbursement amounts be updated as follows:

|                                |  |
|--------------------------------|--|
| Mainline Extension:            | Not to exceed 75% of installation and<br>Not to exceed \$125 per linear foot |
| All Service Connections:       | Not to exceed 75%  |
| Subdivisions and Developments: | Per agreement  |

The new \$125 per linear *mainline* foot amount reflects a 75% cost of a typical mainline installation. This amount is a 40% increase from the original amount set in June, 2000.

The service connection reimbursement of 75%, without a price per foot cap, ensures customers receive a full incentive for the services they require for their property. Additionally, the mainline extension cap, \$125 per linear foot, is intended for service connections requiring water and wastewater main extensions or alterations.

### Electric:

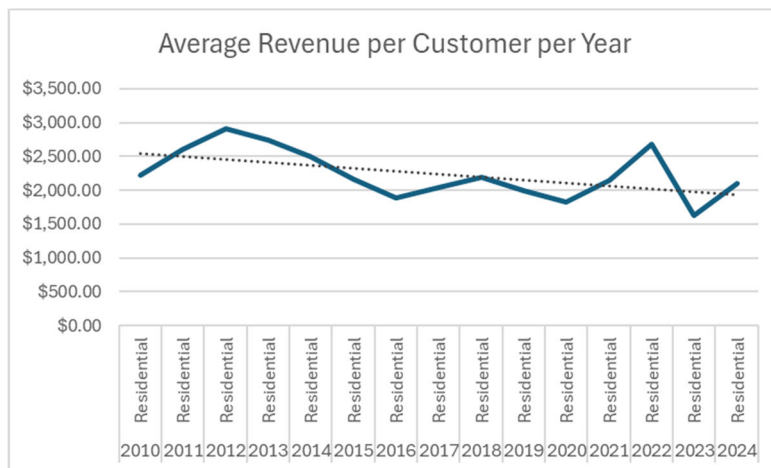
The original reimbursement policy was developed to provide some level of financial assistance with service installations and primary line extensions, similar to the water and wastewater utilities.

Consistent with the approach used in FY2000, and based on a review of current installation practices and cost estimates, staff recommend updating the reimbursement amounts as follows:

The total reimbursement shall not exceed 75% of the cost for residential secondary line extensions for electric. In any event, the total reimbursement for electrical line extensions shall not exceed the following:

|   |               |
|---|---------------|
| Industrial Service Connection:                          | \$120,000.00  |
| Large General Service Connection:                       | \$46,000.00   |
| Small General Service Connection:                       | \$6,800.00    |
| Residential Connection:                                 | \$2,000.00    |
| Subdivisions, Developments and Primary Line Extensions: | Per agreement |

For secondary electric line extensions of less than 300 feet, the City will make reasonable efforts to reduce customer costs. In cases where multiple nearby customers are involved, the City may extend services up to the public right-of-way at a location that fairly serves all parties.



**Figure A**

The new amount caps are based on annual revenue amounts from each customer class. The line graph below (**figure a**) depicts the average revenue from Residential Customers from 2010 to 2024, the chart below shows the revenue trend 2010 to 2024 (**figure b**). Compared to the amounts from June, 2000 the average annual Residential Revenue has increased from \$1,400 to \$2,000 (30%). Note although the

customer base has grown, revenue or kW consumption has decreased; the main driving factor is efficiency: newer technology in appliances, LED lighting etc.

Small General, Large General and Industrial Customers received a 30% adjustment to account for variability in revenue across individual accounts. Some customers generate significantly higher revenue than others. Usage patterns and behavior can differ widely between customers within these classes.

| Year | Customer Class | Average Revenue per Custor | Number of Customers |
|------|----------------|----------------------------|---------------------|
| 2010 | Residential    | \$2,217.00                 | 688                 |
| 2011 | Residential    | \$2,611.00                 | 681                 |
| 2012 | Residential    | \$2,911.00                 | 686                 |
| 2013 | Residential    | \$2,737.00                 | 690                 |
| 2014 | Residential    | \$2,496.00                 | 704                 |
| 2015 | Residential    | \$2,163.00                 | 713                 |
| 2016 | Residential    | \$1,884.00                 | 730                 |
| 2017 | Residential    | \$2,046.00                 | 743                 |
| 2018 | Residential    | \$2,189.00                 | 750                 |
| 2019 | Residential    | \$1,997.00                 | 754                 |
| 2020 | Residential    | \$1,830.00                 | 766                 |
| 2021 | Residential    | \$2,149.00                 | 771                 |
| 2022 | Residential    | \$2,688.00                 | 785                 |
| 2023 | Residential    | \$1,622.00                 | 799                 |
| 2024 | Residential    | \$2,096.00                 | 803                 |

**Figure B**

### **Subdivisions, Developments, and Primary Line Extensions.**

Due to the nature of how different each development can be, for line extensions, including those associated with subdivisions and commercial developments, the developer or customer will enter into an agreement with the City to clearly define capital responsibilities. This agreement will outline responsibilities for supplying specific utility infrastructure components – conduit, piping, tubing, cabling, transformers, sectionalizing gear, vaults, manholes – as well as any associated design, permitting, or construction costs. The intent is to ensure transparent coordination and cost allocation between the City and the developer, to support utility expansion that meets long-term service needs, and to clearly establish the financial obligations and responsibilities of each party.

**ALTERNATIVES:** Council could choose to not renew either or both policies and allow them to expire on June 30, 2025. The Council could also choose to amend the policy end date, or funding amount.

**FINANCIAL IMPLICATIONS:** Further increases to the reimbursement incentives place the financial burden on the utility and existing customers until sufficient revenue is generated to recover the investment. Without knowing how many customers or developers will utilize the incentive, the financial implications remain uncertain, unless an external source of funding or assistance is provided.

**LEGAL:** None

**STAFF RECOMMENDATION:** Staff recommends approval of Resolution 2025-34 and Resolution 2025-35.

Staff also recommend that reimbursements be funded through the General Fund to minimize the impact on Utility Funds.

**PROPOSED MOTION:** I move to adopt Resolution 2025-34 and Resolution 2025-35

**CITY MANAGER COMMENTS:** I support the staff's recommendation.