

AWWU Rates Update

***Presentation to Assembly Enterprise and Utility Oversight Committee
April 21, 2022***



AWWU Current Rates

- Current Rates are based on the results of 2020 Test Year Revenue Requirement Studies (RRS).
 - RRS determines the adequacy of water rate revenues to provide sufficient and prudent funding for both operating and capital needs.
 - Submitted proposed rate increases to Assembly and RCA late in 2021 of 1.75% for AWU and 3.75% for ASU
- Regulatory Commission of Alaska (RCA) granted the proposed across-the-board rate increases on an interim and refundable basis effective 1/18/2022 of
- A final decision is due from the RCA on 2/26/2023.



AWWU Rates Effective April 30, 2022

- Anchorage Water Utility (AWU) rate changes, resulting from a Water Cost of Service Study (COSS) were approved by the RCA, effective 4/30/2022.
- The Water COSS is revenue neutral, meaning AWU does not seek to receive additional revenue from its overall customer base. It has, instead, equitably reallocated AWU customer class charges based on the cost-causer-cost-payer principle using water usage and financial information.
- Rate Changes are:
 - New Fire Protection Charge, per account
 - Customer Charge decrease, \$5
 - Meter Size Charge decrease on average 17%, depending on the meter size
 - Volume Rates for metered and unmetered residential customers are separated into two distinct rate classes
 - Residential = single family, duplex
 - Multi-Family = triplex, multi-family, mobile home park
 - Volume Rate either decreased or increased, depending upon the customer's class of service



History of Fire Protection Rate

- Prior to 1976 – AWU ratepayers paid full cost of fire protection
- 1976 – Costs split \$565k Municipal Charge / \$245k AWU ratepayers for private fire protection infrastructure
- 1980
 - Commercial customers filed a lawsuit over private fire protection charges
 - AFD and AWU enter MOU for fire protection to be a Municipal Charge to AFD
 - MOU approved by APUC, dividend restriction implemented due to revenue shortfall
 - Annual Municipal Charge = \$683k
- 1995 – Municipal Charge was set to \$2.5M
- 2002
 - AWWU proposed study to remove Municipal Charge and instead allocate costs to AWU customers.
 - Proposal rejected by the MOA Assembly
- 2006- RCA affirmed cost allocations for Municipal Charge.
- Last COSS performed was based on 2006 costs. Recently approved COSS based on 2019 costs.
- AWWU proposed the fire protection charge be assessed to applicable classes of service, to become more aligned with water utility industry norms.



AWWU Fire Protection Charges

- There are two water system and cost components to fire protection:
 - Public Fire Hydrants are owned and maintained by AWWU.
 - Costs related to operations and maintenance of the hydrants are considered **Direct costs**.
 - Oversizing water mains and facilities create the required standby capacity to meet the demands of fire flow (even on a day when AWWU experiences its greatest water system peak demand).
 - Costs related to oversizing are considered **Indirect costs**.
- Current Tariff Rates
 - AFD covers 100% of both direct and indirect costs
- Rates Effective 4/30/2022
 - AFD covers 100% of direct costs and 56% of indirect costs
 - A new Fire Protection Charge to other AWU Customers covers 44% of indirect costs

Customer Class	Fire Protection Charge Effective 4/30/2022
Residential Unmetered: Single-Family/Duplex	\$1.43
Residential Unmetered: Multi-Family	\$5.81
Commercial Unmetered	\$11.47
Commercial Metered	\$11.47
Bulk Water Sales to Public Utilities	\$11.47

COSS Impacts to Water Utility Rates - Monthly

- Unmetered Residential Water Bill for Single-Family

Rate Description	Current Rates	Rates Eff. 4/30/2022	Change in Amount	Change in Percentage
Customer Charge (per Account)	\$14.97	\$9.91	(\$5.06)	(33.80%)
Volume Rate (per Unit)	\$41.63	\$46.63	\$5.00	12.01%
Fire Protection Charge (per Account)	\$0.00	\$1.43	\$1.43	100.00%
Regulatory Cost Charge (0.89% of bill)	\$0.50	\$0.52	\$0.02	4.00%
AWU Total Billing	\$57.10	\$58.49	\$1.39	2.43%

- Commercial Metered Water Rates

Rate Description	Current Rates	Rates Eff. 4/30/2022	Change in Amount	Change in Percentage
Customer Charge (per Account)	\$14.97	\$9.91	(\$5.06)	(33.80%)
Volume Rate (per 1,000 gallons)	\$5.78	\$6.50	\$0.72	12.46%
Meter Size Charge (per Meter)	\$7.44 to	\$6.08 to	(\$1.36) to	(12.16%) to
*varies depending on meter size	\$394.48	\$324.61	(\$69.87)	(19.78%)
Fire Protection Charge (per Account)	\$0.00	\$11.47	\$11.47	100.00%

- Anchorage Fire Department

- Annual reduction of approximately \$1.2 million

Rate Description	Current Rates	Rates Eff. 4/30/2022	Change in Amount	Change in Percentage
Anchorage Fire Department	\$452,039	\$354,197	(\$97,842)	(21.64%)

Questions?

<https://www.awwu.biz/home/s/howpublisheddocument/2082>