



# AWWU PRISM

Assembly Utility and Enterprise Oversight Committee  
October 20, 2022

# AWWU Overview

- Municipally Owned
  - AWWU is a department of the MOA
  - AWWU has separate accounting and financial reporting from MOA
  - AWWU is funded by its customers/ratepayers, not taxpayers
- Economically regulated by the Regulatory Commission of Alaska (RCA)
  - Ensures utilities provide safe and adequate services and facilities at just and reasonable rates, terms, and conditions.
  - Alaska Statute requires separate tariffs for each utility-AWU and ASU
  - Any revisions to tariff must be approved by the Assembly and RCA
  - RCA has ultimate jurisdiction of AWU and ASU Tariffs



# Rate Changes

- Revenue Requirement Study
  - Determines the level of revenue the Utility needs to cover annual expenses
- Cost of Service Study
  - Identifies how much revenue to collect from each customer class depending on the cost (demand) they put onto AWWU systems (cost causer-cost payer principle)
- Plant Replacement and Improvement Surcharge Mechanism (PRISM)
  - Allows the Utility to recover eligible capital related costs on infrastructure placed into service between filing revenue requirement studies.



# Why we chose PRISM

- AWWU's capital improvement plan includes eligible plant where previously it was treatment plant (non-eligible plant)
- Smaller Burden on Ratepayers
  - Rate Increase ~ 5.4%
  - PRISM rate 1.36%
- Less expensive for AWWU
  - General Rate Case expense is approximately \$750k
- Meet all Financial Metrics



# Calculations

- Simplified RRS Calculation:

- + Operating Expenses (2020 actuals including 2021 known/measurable changes)
  - + Depreciation Expense (on Total Non-Contributed Plant Used & Useful as of 12/31/2020)
  - + MUSA Expense (calculated on NBV of Total Plant as of 12/31/2020)
  - + Return on Rate Base (based on capital structure and ROE)
- 
- = Annual Revenue Requirement

- PRISM:

= Total Annual Eligible Capital Costs divided by Projected Annual Revenue

- Compared to RRS:

- ~~+ Operating Expenses (test year actuals including known/measurable changes)~~
  - + Depreciation Expense (on Eligible Non-Contributed Plant Used & Useful in 2021)
  - + MUSA Expense (calculated on NBV of Eligible Plant Used & Useful in 2021)
  - + Return on Rate Base (based on capital structure and ROE)
- 
- = Total Annual Eligible Capital Costs



# PRISM

- Criteria for plant improvement surcharges
- Notice
- Long-term Infrastructure plan and Asset Optimization plan
- Calculation
- Accounting for surcharges revenues, reconciliation, and correction
- Eligible plant
- Affiliated Transactions
- Consumer protections
- Definitions

## Alaska Administrative Code 3 AAC 52.800-890



# Customer Notifications and Bill Inserts

## AWWU Plant Replacement and Improvement Surcharge (PRISM)

AWWU is proposing a modest rate increase for 2023 rates via a modified rate mechanism allowed by the Regulatory Commission of Alaska (RCA) known as PRISM. The Plant Replacement and Improvement Surcharge Mechanism (PRISM) regulations are under Alaska Administrative Code: 3 AAC 52, Article 9.

AWWU operates and maintains its water and wastewater infrastructure in a cost-efficient manner to safeguard the public health, maintain environmental compliance and provide reliable water and wastewater services to you, our customers. The need to reinvest in the water and wastewater infrastructure that serves the community is ongoing as the total replacement value of AWWU's aging infrastructure is in the billions of dollars.

To assist with this need, the RCA has regulations to allow utilities to establish a surcharge to recover the costs associated with plant infrastructure additions placed in service between general rate cases through a Plant Replacement Improvement Surcharge Mechanism (PRISM).

30402-1-0149

Anchorage Water & Wastewater Utility  Clearly Responsible



PRISM has limitations and is not always eligible for use. When it is eligible for use, it benefits the customers by cutting expenses that go into costly general rate cases, while at the same time ensuring the infrastructure used to deliver customer water and wastewater services are being adequately funded and upgraded in a timely and responsible manner.

As a customer, you can expect to see a charge as a separate line item for each Utility on your water and wastewater bill.

- The initial PRISM rate will be 1.87% for water and 0.81% for wastewater effective on or after January 1, 2023.
- The surcharge will be reset to \$0 on your bill when the next general rate filing is submitted.
- Please contact us or visit our website at [www.awwu.biz](http://www.awwu.biz) if you have any questions or want additional information.

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# Impact to Customer Bills

- The table below shows the effect of the 2021 Test Year PRISM calculation on current rates for AWWU's most common customer, unmetered single-family residential. This table excludes Regulatory Cost Charge (RCC). The % change may not represent 1.87% and 0.81% exactly due to rounding.

Water Utility	Current	Proposed	\$ Change	% Change
Customer Charge	\$ 9.91	\$ 9.91		
Usage Charge	\$ 46.63	\$ 46.63		
Fire Protection Charge	\$ 1.43	\$ 1.43		
PRISM	\$ -	\$ 1.08		
Water Total	\$ 57.97	\$ 59.05	\$ 1.08	1.88%
Wastewater Utility	Current	Proposed	\$ Change	% Change
Customer Charge	\$ 10.30	\$ 10.30		
Volume Charge	\$ 43.61	\$ 43.61		
PRISM	\$ -	\$ 0.44		
Wastewater Total	\$ 53.91	\$ 54.35	\$ 0.44	0.82%
Grand Total	\$ 111.88	\$ 113.40	\$ 1.52	1.36%


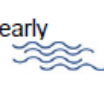




# PRISM

- Sample bill for a single-family residential water and wastewater customer.
- Per AAC, each Utility must have a separate line for each PRISM rate.
- The surcharge will be reset to \$0 on the customer's bill when the next general rate filing is submitted to the RCA.



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3000 Arctic Boulevard • Anchorage, Alaska 99503  
www.awwu.biz  
Phone 907-564-2700 • Fax 907-562-0702 • Toll Free (866) 650-2700

Bill Date	Total Due
09/08/2022	\$114.99

ACCOUNT#: [REDACTED] NAME: [REDACTED] Page 1 of 1

SERVICE [REDACTED]

**\*\*AWWU Account Self Service Options\*\***

To make one-time payments or manage your account online, visit [www.awwu.biz](http://www.awwu.biz). Click "Pay Bill" then follow the prompts to make a one-time payment, log in, or create a new account. Click "Customer Service" to start or stop services, find information about rates, learn about our Coins Can Count Program, and much more! You may also utilize our automated voice response system by dialing (907) 564-2700 to access account information and make payments **without waiting** to speak to a representative!

Previous Balance		113.37
Payment(s) Received	08/19/2022	113.37
Adjustment(s)		0.00
Balance Forward		0.00
Current Charges		\$114.99
<b>Total Due (09/28/2022)</b>		<b>\$114.99</b>

If your account balance is less than \$2.00, please defer payment until next month.

We are currently experiencing high call volumes and extended wait times. Utilizing our convenient self-service options can save time and avoid delays. AWWU customers can make payments, access detailed account information, start or stop service, and find a variety of Utility information by visiting our website at [www.awwu.biz](http://www.awwu.biz), or calling (907) 564-2700 to use our automated voice response system.

ACCUMULATED CHARGES	Current YTD	Prior Year Total
Water	522.87	668.94
Sewer	489.64	614.11
<b>Total</b>	<b>\$1,012.51</b>	<b>\$1,283.05</b>

SUMMARY OF CURRENT CHARGES					
Service	Rate Code	Units	From	To	Charge
Unmetered Resi Fire Protection	F21		08/08/2022	09/08/2022	1.43
Water Customer Charge	W19		08/08/2022	09/08/2022	9.91
Unmetered Resi Water Service	W20	1	08/08/2022	09/08/2022	46.63
Water Regulatory Cost	WREG		08/08/2022	09/08/2022	0.78
<b>Water PRISM</b>	<b>WPRM</b>		08/08/2022	09/08/2022	1.15
Sewer Customer Charge	S116		08/08/2022	09/08/2022	10.30
Residential Sewer Service	S50	1	08/08/2022	09/08/2022	43.61
Sewer Regulatory Cost	SREG		08/08/2022	09/08/2022	0.72
<b>Sewer PRISM</b>	<b>SPRM</b>		08/08/2022	09/08/2022	0.46
<b>Current Charges</b>					<b>\$114.99</b>

PLEASE DETACH HERE AND RETURN THE BOTTOM PORTION WITH YOUR PAYMENT

**ANCHORAGE WATER & WASTEWATER UTILITY P.O. BOX 196626 ANCHORAGE, AK 99519-6626**  
PLEASE MAKE CHECKS PAYABLE TO: AWWU

Anchorage Water & Wastewater Utility P.O. Box 196626 Anchorage, AK 99519-6626 Address Service Requested	SERVICE [REDACTED] NAME: [REDACTED] ACCOUNT#: [REDACTED]
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**YOUR CREDIT CARD HAS EXPIRED**  
Please call 564-2700 to update your expiration date.

CYCLE 08  
DUE DATE 09/28/2022  
**TOTAL DUE \$114.99**

[REDACTED]

**Questions?**

