

Submitted by: Chairman of the Assembly  
at the Request of the Mayor  
Prepared by: Anchorage Water & Wastewater Utility  
For reading: March 27, 2007

CLERK'S OFFICE

ANCHORAGE, ALASKA

APPROVED

AO NO. 2007-59

Date: 4-10-07

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, APPROVING  
SUBMISSION BY THE ANCHORAGE WATER & WASTEWATER UTILITY OF A  
PROPOSED RATE DESIGN CHANGE TO THE REGULATORY COMMISSION OF  
ALASKA.

THE ANCHORAGE ASSEMBLY ORDAINS:

**Section 1.** A rate design change to the Anchorage Wastewater Utility tariff for  
septage hauler customers, as reflected in the attached AM and incorporated herein by  
reference, is hereby approved for submission to the Regulatory Commission of Alaska.

**Section 2.** This ordinance shall be effective immediately upon passage and approval  
by the Anchorage Assembly.

The AWWU Board of Directors endorsed this proposed rate design change at its  
regular March 7, 2007 meeting.

PASSED AND APPROVED by the Anchorage Assembly this 10th day of  
April, 2007.

*Dan Sullivan*  
Chair

ATTEST:

*Sarah S. Oment*  
Municipal Clerk

# Municipality of Anchorage

## Summary of Economic Effects - Utilities

AO Number: 2007-59 Title: ASU Proposed Septage Hauler Rate Design Change

Sponsor:

Preparing Agency: AWWU Others Affected: See below.

### CHANGES IN EXPENDITURES AND REVENUES (Thousands of Dollars)

ASU	FY2007	FY2008	FY2009	FY2010	FY2011
<b>Operating Revenues:</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Revenues:</b>	\$0	\$0	\$0	\$0	\$0
<b>Operating Expenses:</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expenses:</b>	\$0	\$0	\$0	\$0	\$0
<b>Non-Operating Revenues:</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Operating Revenues:</b>	\$0	\$0	\$0	\$0	\$0
<b>Non-Operating Expenses</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Operating Expenses:</b>	\$0	\$0	\$0	\$0	\$0
<b>NET INCOME</b>	\$0	\$0	\$0	\$0	\$0
Positions: FT/PT/TEMP	0	0	0	0	0

Impact on General Government: NO (If yes, attach SEE for General Government agency impacted)

Solid Waste Services will have approximately \$86,000 per year in increased costs for discharging at ASU's septage receiving stations.

Public Sector Economic Effects: N/A

Private Sector Economic Effects: Private septage haulers, in total, will have approximately \$86,000 per year in decreased costs for discharging at ASU's septage receiving stations.

If further explanation is necessary, a separate page may be attached.

Prepared By: Tim Ament, AWWU Regulatory Affairs Manager Telephone: 786-5507  
(Name, Title)

Validated by OMB: Date:

Approved by: Mark Premo, P.E., General Manager, AWWU Date: 3/7/07  
(Director, Preparing Agency)

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 235-2007

Meeting Date: March 27, 2007

1 **From: Mayor**

2  
3 **Subject: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA,**  
4 **APPROVING SUBMISSION BY THE ANCHORAGE WATER &**  
5 **WASTEWATER UTILITY (AWWU) FOR A PROPOSED SEPTAGE**  
6 **HAULER RATE DESIGN CHANGE TO THE REGULATORY**  
7 **COMMISSION OF ALASKA.**  
8

9 In accordance with Anchorage Municipal Code section 31.20.030, the Anchorage  
10 Wastewater Utility (ASU) submits an ordinance concurrent with this memorandum for  
11 review and approval by the Assembly of ASU submission of a volumetric septage  
12 hauler rate design change to the Regulatory Commission of Alaska (RCA).  
13

14 During the Assembly Public Hearing on the Wastewater Comprehensive Cost of  
15 Service Rate Study (COSS), several septage hauler customers testified that a per trip  
16 or volumetric rate design would be fundamentally more fair than the current flat rate  
17 per month based on tank capacity. These customers stated that, under the current  
18 rate design, septage hauler customers are billed the same monthly cost whether they  
19 make one trip to a septage receiving station per month or 100 trips. These customers  
20 argued they should be charged based on the actual volume of septage they discharge  
21 into the system because it more accurately reflects how they use the system.  
22

23 AWWU considered these comments and as a result, prepared a proposed rate design  
24 amendment that recommends a volumetric charge based upon a percentage of  
25 hauling volume. AWWU bases this rate design on an estimated percentage of hauling  
26 volume because there are no devices at the septage receiving stations to meter or  
27 measure the actual amount of septage discharged. Based on an analysis of the  
28 volumes of septage discharged as reported by the septage hauler customers, AWWU  
29 proposes the estimated discharge volume be calculated at 87 percent of effective tank  
30 volume except when seasonal rate restrictions are in effect. When these restrictions  
31 are in effect, the estimated discharge volume should be 50 percent of effective tank  
32 volume because that is the most restrictive limit the Municipality of Anchorage places  
33 on septage hauler trucks traveling on its roads. AWWU proposes to charge septage  
34 hauler customers \$21.65 per thousand gallons of estimated septage discharged based  
35 on the 2004 test year ASU Cost of Service Analysis (COSA).  
36

37 This change in rate design for septage hauler customers is revenue and expense  
38 neutral to ASU. AWWU believes the amended rate design is fundamentally more fair  
39 than the current methodology of charging a flat rate based upon vehicle tank capacity,  
40 and follows the principle that the cost causer should be the cost payer.

**Comparison of Current Septage Hauler Rate Design and Proposed Volumetric Rate Design**

	<u>2004 Test Year COSA</u>		
	Without COSA	Initial	Amended
Customer Charge	\$ 5.00	\$ 4.72	\$ 4.72
Flat Usage Charge			
per 1,000 gal tank capacity	272.63	647.54	0.00
Volume rate			
per estimated. 1,000 gal:	0.00	0.00	21.65
I&I Charge	1.45	0.00	0.00

**2005 Test Year Interim with 2004 Test Year COSA**

	Without COSA	Initial	Amended
Customer Charge	\$ 5.45	\$ 5.17	\$ 5.17
Flat Usage Charge			
per 1,000 gal tank capacity	298.53	709.06	0.00
Volume rate			
per estimated 1,000 gal:	0.00	0.00	23.71
I&I Charge	1.60	0.00	0.00

**2005 Test Year Permanent with 2004 Test Year COSA**

	Without COSA	Initial	Amended
Customer Charge	\$ 5.65	\$ 5.33	\$ 5.33
Flat Usage Charge			
per 1,000 gal tank capacity	308.07	731.72	0.00
Volume rate			
per estimated 1,000 gal:	0.00	0.00	24.46
I&I Charge	1.65	0.00	0.00

**AWWU Board of Directors**

The AWWU Board of Directors (Board) also held a public hearing on March 7, 2007, which was noticed on February 27 and March 6, 2007 in the Municipal Page on the proposed rate design change. At the March 7, 2007 Board meeting, the Board approved the septage hauler volumetric rate design for submission to the Assembly and RCA.

**RCA Approval Required**

This rate design change will be filed as an amendment to the ASU COSA currently under RCA review. This proposed septic hauler volumetric rate design must be filed with the RCA by May 24, 2007. Once submitted, the filing and proposed septage hauler rate design will be noticed to the public, along with a thirty-day comment period. If the RCA does not reject the filing, AWWU expects the filing will be suspended for further investigation into the current ASU COSA docket. If the RCA suspends the filing into the current ASU COSA docket, AWWU expects the volumetric septic hauler rate

1 will be made effective January 1, 2008 along with the rest of the ASU COSA and rate  
2 design.  
3

4 **THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE**  
5 **REGARDING PROPOSED RATE DESIGN CHANGE TO THE REGULATORY**  
6 **COMMISSION OF ALASKA.**  
7

8  
9 Prepared by: Mark Premo, P.E., General Manager, AWWU  
10 Concur: Denis C. LeBlanc, Municipal Manager  
11 Respectfully submitted: Mark Begich, Mayor

**Impact on Typical Septage Hauler Customer  
of Amended ASU Septage Hauler Rate Design**

	<b>Low User</b>	<b>Average User</b>	<b>High User</b>
Access per Month	5	34	100
Average truck capacity	3,000	3,000	3,000
Initial COSA rate	\$ 647.54	\$ 647.54	\$ 647.54
Amended COSA rate	\$ 21.65	\$ 21.65	\$ 21.65
 Cost under Initial COSA Rate	 \$ 1,947.34	 \$ 1,947.34	 \$ 1,947.34
Cost under Amended COSA Rate	\$ 287.25	\$ 1,925.94	\$ 5,655.37
Reduction (Increase) in Monthly Charge	\$ 1,660.09	\$ 21.40	\$ (3,708.03)

M.O.A.  
2007 MAR 23 PM 3:25  
CLEMS OFFICE

**From:** Ament, Timothy A.  
**Sent:** Friday, March 23, 2007 3:01 PM  
**To:** LeBlanc, Denis C.  
**Cc:** Premo, Mark C.; Weddleton, Sharon B.; Rafalko, Heather A.  
**Subject:** Explanation of Proposed Septage Hauler Rate Design AM

M.O.A.  
2007 MAR 23 PM 3:25  
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Mr. LeBlanc

Per our phone conversation earlier today, here is a more complete explanation of the tables on page two of the septage hauler AM.

For a little background, the ASU cost of service analysis (COSA) is based on a 2004 test year revenue requirement study (RRS). The 2004 test year RRS was approved by the Regulatory Commission of Alaska (RCA), with the exception of MUSA on contributed plant, in the fourth quarter of 2006. However, the ASU COSA has not yet been approved by the RCA. It is currently pending before the RCA with a hearing scheduled for the end of October of this year. The final order is expected by the end of 2007. In addition, in November of last year, ASU filed a 2005 test year RRS, with no COSA, with the RCA. ASU received interim rates based on the 2005 RRS on January 1st of this year. Permanent rates from the 2005 TY RRS are expected in the fourth quarter of 2007.

There are three tables contained on page two of the AM; table one is based on the ASU 2004 test year RRS, table two is based on the ASU 2005 test year RRS with interim rates, and table three is based on the ASU 2005 test year RRS with permanent rates. Each table contains the rates that are used to calculate a monthly septage hauler bill under the scenarios of the current rate design, the initial COSA rate design, and the amended COSA rate design. The components of the current rate design are: customer charge, flat usage charge per 1,000 gallons of tank capacity, and an I&I (inflow and infiltration) charge. The components of the initial COSA rate design are customer charge and flat usage charge per 1,000 gallons of tank capacity. The components of the amended COSA rate design are customer charge and volumetric rate per estimated 1,000 gallons discharged.

As we discussed, the initial ASU COSA rate eliminates the I&I charge as a separate rate component and includes it in the usage charge. The amended ASU COSA rate uses that same methodology of eliminating the I&I charge as a separate rate component but includes it in the volume charge. Please note that the customer charge is included in all three scenarios and that the customer charge does not change between the initial COSA rates and the amended COSA rates. The only component that changes from the initial COSA rate and the amended COSA rate is the usage/volume charge; the usage charge is a flat monthly charge included in the initial COSA rate and the volume charge is the new amended charge. Also note that this change in septage hauler rate design is revenue neutral to the Utility. ASU will collect no more or no less revenue from this customer class. It will, however, have an impact on individual septage hauler customers. This impact is summarized for a typical septage hauler customer in the attached excel file. This analysis looks at three septage hauler customers who have the same truck capacity of 3,000 gallons; a low usage customer that discharges five per month, an average customer that discharges 34 times per month, and a high usage customer that discharges 100 times per month. Under the rates in the initial COSA rate design, each customer would pay the same \$1,947.34 per month. Under the amended COSA rate design, the low usage customer would be billed \$287.25, the average usage customer would be billed \$1,925.94, and the high usage customer would be billed \$5,655.37. ASU feels it is more fair to bill customers based on how often they use a septage receiving station than with a flat monthly charge based on the customer truck tank capacity.

Please let me know if you have any additional questions or if you would like any further explanation.

Tim Ament  
AWWU Regulatory Affairs Manager

**Content Information****Content ID :** 004890**Type:** Ordinance - AO**Title:** APPROVING SUBMISSION BY THE ANCHORAGE WATER &  
WASTEWATER UTILITY OF A PROPOSED RATE DESIGN CHANGE  
TO THE REGULATORY COMMISSION OF ALASKA**Author:** gibsonam**Initiating Dept:** AWWU**Date Prepared:** 3/9/07 8:36 AM**Director Name:** Mark Premo**Assembly Meeting Date:** 3/27/07**Public Hearing Date:** 4/10/07M.O.A.  
2007 MAR 23 PM 2:05  
CLEANS OFFICE**Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	3/9/07 8:43 AM	Checkin	gibsonam	Public	004890
AllOrdinanceWorkflow	3/9/07 9:32 AM	Reject	premomc	Public	004890
AllOrdinanceWorkflow	3/9/07 10:30 AM	Checkin	gibsonam	Public	004890
AWWU_SubWorkflow	3/10/07 9:32 AM	Approve	premomc	Public	004890
OMB_SubWorkflow	3/16/07 4:50 PM	Approve	mitsonjl	Public	004890
Legal_SubWorkflow	3/19/07 11:41 AM	Approve	fehlenrl	Public	004890
MuniManager_SubWorkflow	3/23/07 1:22 PM	Approve	maglauijp	Public	004890
MuniMgrCoord_SubWorkflow	3/23/07 1:46 PM	Approve	abbottmk	Public	004890

*Addendum -*