



Smart INVESTING in Your Future

2022 Water Rate Changes – Cost of Service and Rate Design Study

In accordance with fair and just ratemaking principles, AWWU performed a water utility rate design study in 2020.

The rate design study, known as a cost of service study (COSS), was submitted to the Regulatory Commission of Alaska (RCA) with prior approval from the Municipality of Anchorage's (MOA) Administration and the Anchorage Assembly.

The RCA recently approved the rate structure changes proposed in the COSS, and Anchorage Water Utility (AWU) will be implementing those changes. Customers will see some changes on their bills beginning as early as May.

The water COSS is revenue neutral, meaning AWU does not seek to receive additional revenue from its customers. Instead, it has equitably re-allocated AWU customer class charges based on the cost-causer cost-payer principle, using water usage and financial information to ensure just and reasonable cost-based rates among customer classes.

One of the most notable changes resulting from the COSS includes shifting a portion of public fire protection costs from the Anchorage Fire Department (AFD) to AWU customers.

Historically, AFD has paid 100% of both the direct and indirect public fire protection charge*. The fire protection charge changes being implemented as a result of the COSS are as follows:

- 100% of direct costs allocated to AFD for operations and maintenance of hydrants.
- 56% of indirect costs allocated to AFD.
- 44% of indirect costs allocated to AWWU ratepayers.

A summary of all rate changes resulting from the COSS are as follows:

1. AWU Customer Charge is **decreasing** approximately \$5.
2. Meter Size Charges are **decreasing**, on average, approximately 17%, depending on the meter size. These rate decreases also apply to AWWU sewer use only customers.
3. The Volume Rate for metered and unmetered residential customers is expanded to two separate and distinct rate classes:
 - a. Residential = single family, duplex
 - b. Multi-Family = triplex, multi-family, mobile home park
4. The Volume Rate either decreased or increased, depending upon the customer's class of service.
5. Metered commercial rate class will include bulk water sales for bottling and resale, bulk water sales to public utilities, and mobile meters.
6. A new fire protection charge, per account, assessed to all classes of service, except for bulk water sales for bottling and resale, and mobile meters.



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Summary Tables for most common customer classes are provided below.

The rate changes are effective April 30, 2022; however, customers may see a prorated portion of their May 2022 bill(s), with full impacts beginning on their June 2022 bill(s). (parenthetic numbers are rate decreases)

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%

Metered Residential Multi-Family 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	\$5.36	(\$0.42)	(7.27%)
Meter Size Charge (per Meter) *varies depending on meter size	\$7.44 to \$394.48	\$6.08 to \$324.61	(\$1.36) to (\$69.87)	(12.16%) to (19.78%)
Fire Protection Charge (per Account)	\$0.00	\$5.81	\$5.81	100.00%

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) *varies depending on meter size	\$7.44 to \$394.48	\$6.08 to \$324.61	(\$1.36) to (\$69.87)	(12.16%) to (19.78%)
Fire Protection Charge (per Account)	\$0.00	\$11.47	\$11.47	100.00%

***Additional Information about the Fire Protection Charge:**

AWWU proposed the fire protection charge be assessed to applicable classes of service, to become more aligned with water utility industry norms in response to the MOA Administration and the Anchorage Assembly requesting AWWU analyze its fire protection charge to the Anchorage Fire Department (AFD).





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There are two water system components to public fire protection:

1. Direct costs associated with public fire hydrants.

Public Fire Hydrants are owned and maintained by AWWU, and are available for use primarily by AFD for fighting fires.

2. Indirect costs associated with oversizing of water mains and facilities, such as pumping plant, and storage facilities (i.e. reservoirs).

In order to meet fire protection requirements, AWWU must have sufficient capacity available within its water system. Oversizing water mains and water storage facilities creates the required standby capacity to meet the demands of fire flow. Even on a day when AWWU experiences its greatest water system peak demand, there still must be sufficient capacity within the water system to meet the fire flow requirements.

40% of MOA's Insurance Service Office (ISO) Public Protection Classification rating is based on water supply system, hydrant size and installation, and inspection and flow testing of hydrants.

More information:

To access AWU's Cost of Service and Rate Design Study and the RCA's approval of the study, please click here: [Regulatory Commission of Alaska - Docket: U-21-016](#).

Contact:

Sandy Baker, AWWU Public Outreach Coordinator (907) 786-5636