



Smart INVESTING in Your Future

PRISM

- What is PRISM?**

The **Plant Replacement and Improvement Surcharge Mechanism (PRISM)** is an alternative rate recovery mechanism permitted under Alaska state regulations pursuant to 3 AAC 52.800 through 3 AAC 52.890. Water and wastewater utilities are permitted to implement a surcharge to recover eligible capital costs completed and placed in service between general rate cases.

- Are there customer protections under PRISM?**

The PRISM rate increase cannot exceed 7.5% for water service and 5% for wastewater service. The rate is reset to zero when AWWU files a general rate filing.

- What are the benefits of PRISM?**

PRISM enhances AWWU’s ability to rehabilitate and replace aged infrastructure by making timely and necessary capital investments to maintain adequate, efficient, safe, and reliable service to customers without having to file a costly general rate case. Any cost savings realized by this mechanism are passed on to the customers via rate mitigation.

- How will the PRISM surcharge appear on monthly bills?**

The PRISM rate is applied to all classes of service as a percentage of each customer’s billed charges (customer charge, meter charge, fire protection, and volume charge). The impact to a single-family residential customer is in the table below.

All water customer’s will be billed 1.85% of their billed charges on applicable tariff rates. All wastewater customer’s will be billed 0.81% of their billed charges on applicable tariff rates.

Proposed	Water	Sewer	Total
Customer Charge	\$ 9.91	\$10.30	
Usage Charge	\$46.63	\$43.61	
Fire Protection Charge	\$1.43	\$ -	
PRISM	\$1.07	\$0.43	
RCC	\$0.78	\$0.72	
Proposed Total Bill	\$59.82	\$55.06	\$114.88
Current Total Bill	\$58.74	\$54.63	\$113.37
Increase	\$1.08	\$0.43	\$1.51

- How is the PRISM rate calculated?**

The PRISM surcharge percentage is calculated on an annual basis by dividing the total annual eligible capital costs by projected annual revenue. The computation is in accordance with Alaska Administrative Code (AAC) 3 AAC 52.820 and AWU and ASU Proposed Tariff Rule 16.

$$\text{PRISM \%} = \frac{\text{Total Annual Eligible Capital Costs}}{\text{Projected Annual Revenue}}$$



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- **Why is the Utility using PRISM now versus a general rate filing?**
On an annual basis, AWWU performs a preliminary revenue requirement and PRISM analysis to determine the best approach for rate changes for customers and the Utility. Through our most recent analysis, AWWU has determined using PRISM will lessen the increase to customer charges while ensuring infrastructure used to provide water and wastewater services are being adequately funded and upgraded in a timely and responsible manner.
- **Will other rates be lowered?**
No. Other applicable tariff rates are analyzed on an annual basis to determine if the rates are sufficient for the level of revenue the Utility needs to provide safe and reliable service.
- **What time period does PRISM cover?**
The PRISM rate proposed for 2023 is to recover capital related costs for eligible plant placed into service in 2021.
- **How does AWWU determine or assess that infrastructure is aging and needs to be repaired or upgraded?**
AWWU uses condition assessment data to assist in the timing of repair, replacement, or improvement of infrastructure. The data aids AWWU to better understand the physical condition of its infrastructure assets, and what factors may influence the condition, performance, and likelihood of failure. To obtain the data, AWWU uses tools and analytical systems to assess its infrastructure. -An example of such a tool is CCTV (Closed Circuit Television) inspection and coding, which AWWU uses extensively to inspect underground sewer pipes.
- **What are capital costs?**
Capital Costs are costs invested by AWWU to rehabilitate and replace infrastructure assets (plant) that has prematurely deteriorated, no longer meets regulatory or quality of service standards, or has reached the end of its useful life. Capital Costs are summarized on regulatory documents as a depreciation expense, MUSA (Municipal Utilities Service Assessment) expense, and a return allowance.
- **What are eligible plant additions allowed under PRISM?**
Some examples of PRISM eligible plant additions for water and wastewater service are water pipes, sewer pipes, meters, hydrants, and service lines that have been placed into service during the previous calendar year (in this case that is 2021). Plant in service related to treatment plants and general plant are not eligible in PRISM. Plant placed into service for new customers is also not eligible in PRISM.
- **What is a general rate case?**
A legal proceeding resulting from a rate change filing to the Regulatory Commission of Alaska for their approval.

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