

RCA No. 122 Original Sheet No. 197

Cancelling

Sheet No. \_\_\_\_\_

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**Anchorage Water Utility**

**16.0 PLANT REPLACEMENT AND IMPROVEMENT SURCHARGE MECHANISM (PRISM)**

(N)

**16.1 PURPOSE**

The Plant Replacement and Improvement Surcharge Mechanism (PRISM) is a surcharge to recover non-revenue producing Eligible Capital Costs associated with plant placed in service between general rate cases. PRISM is implemented pursuant to 3 AAC 52 Article 9. The capital costs of extending facilities to serve new customers are not recoverable through PRISM.

**16.2 ELIGIBLE PROPERTY**

A. The PRISM eligible plant will consist of the following:

1. Utility service lines, meters, and hydrants installed as in-kind replacements for customers;
2. Mains and valves installed as replacements for existing facilities that remain in service beyond reasonable service life, are in prematurely deteriorated condition, or are required to be upgraded to meet quality of service standards or applicable law;
3. Main extensions installed to eliminate dead ends and to implement solutions to water supply problems that present a significant health or safety concern for customers currently receiving service from the utility;
4. Main replacement, cleaning, and relining projects;
5. Unreimbursed costs related to highway relocation projects where the utility must involuntarily relocate facilities; and
6. Other capitalized costs related to plant described in 1 – 5 of this subsection.

(N)

Tariff Advice No.

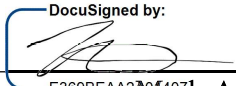
TA176-122

Effective: **January 30, 2023**

Issued by Anchorage Water Utility

By

DocuSigned by:



E369BEAA27M14971

Mark A. Corsentino, P.E.

Title:

General Manager

**Anchorage Water Utility**

16.0 PLANT REPLACEMENT AND IMPROVEMENT SURCHARGE MECHANISM (PRISM) (N)  
(continued)

16.3 EFFECTIVE DATE

The PRISM rate may become effective for bills rendered on January 30, 2023.

The PRISM rate may be updated on an annual basis to reflect Eligible Capital Costs.

16.4 COMPUTATION

A. Effective dates

1. Effective date of surcharge may be: On or after January 1
2. Date to which PRISM eligible plant additions are reflected: December 31 of the prior year

B. Surcharge Amount

The PRISM will be a percentage, expressed to two (2) decimal places, applied to all classes of service as a percentage of each customer’s billed revenue. The PRISM will be printed as a separate line on each customer’s bill.

The PRISM rate expressed as a percentage is provided in Rule 13.3, Plant Replacement and Improvement Surcharge Mechanism.

The PRISM Eligible Capital Costs used to calculate the surcharge amount will consist of depreciation, Municipal Utility Service Assessment (MUSA), and a return allowance plus any correction or adjustment requested and approved by the Commission.

(N)

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(continued)

16.4 COMPUTATION (continued)

C. Formula

- The PRISM percentage is calculated by dividing the total annual eligible capital costs, by projected annual revenue. The formula is illustrated as follows:

$$\text{PRISM} = \frac{((\text{EP} \times \text{WACC}) + \text{Dep} + \text{Taxes} + e)}{\text{PAR}}$$

Where:

EP = The Net Non-Contributed cost of PRISM eligible plant. The original cost of PRISM eligible plant net of Accumulated Depreciation, Contributions in Aid of Construction, and Accumulated Amortization.

WACC = The Weighted Average Cost of Capital approved or stipulated by all parties and accepted by the Commission in the Utility's most recent general rate case.

Dep = The Depreciation Expense related to PRISM eligible plant calculated by applying the annual accrual rates determined by the most recently approved or accepted depreciation study to the original cost of PRISM eligible plant.

Taxes = The Municipal Utility Service Assessment (MUSA) is a payment in lieu of taxes to the Municipality of Anchorage to support local government services (Anchorage Municipal Code 26.10.025).


e = The amount calculated under the annual reconciliation, or any correction or adjustment of actual entries used in the calculation of the surcharge rate.

PAR = The Projected Annual Revenues to be collected from the customers

PRISM Water Surcharge Rate is provided in Rule 13.3 RATE SCHEDULE NO. 3. (N)

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16.0 PLANT REPLACEMENT AND IMPROVEMENT SURCHARGE MECHANISM (PRISM) (N)  
(continued)

16.5 CONSUMER PROTECTIONS

A. Surcharge Cap

The PRISM rate for AWU may not exceed seven and one-half percent (7.5%) of the amount billed to customers under the otherwise applicable tariff rates.

B. Annual Reconciliation

The Utility will reconcile all plant improvement surcharge revenue to Eligible Capital Costs on an annual basis. Any over or under collection will be included as an Eligible Capital Cost reduction or increase in the next PRISM rate update following the reconciliation.

C. Surcharge Reset

The PRISM rate must be reset to zero at the effective date of revised base rates set in a general rate case that incorporates the Eligible Capital Costs previously recovered through the PRISM.

D. Long-Term Infrastructure Improvement Plan

The Utility will file a long-term infrastructure improvement plan no less often than every five (5) years. The original plan is included with TA176-122. The updated plan requirements, as described in 3 AAC 52.815(c), will be filed no later than November 15.

E. Asset Optimization Plan

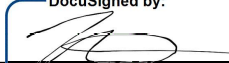
The Utility will file an asset optimization plan as described in 3 AAC 52.815(d) annually by November 15.

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By Mark A. Corsentino, P.E. Title: General Manager

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16.0 PLANT REPLACEMENT AND IMPROVEMENT SURCHARGE MECHANISM (PRISM) (N)  
(continued)

16.5 CONSUMER PROTECTIONS (continued)


F. Notice to Customers

Customers shall be notified by bill inserts, billing statement messages, and on AWWU's website before the Utility files a revision to the surcharge rate.

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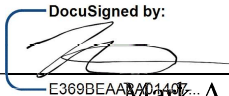
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E369BEAAM01407- Mark A. Corsentino, P.E.

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