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**PUBLIC ADVOCATE ADVISORY**

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**Attorney General's Efforts Help Generate Multi-Million Dollar Rate Reduction and Refund for Customers of Anchorage Water and Wastewater Utility**

(Anchorage) - Attorney General David Márquez, in his capacity as the Public Advocate before the Regulatory Commission of Alaska ("RCA"), made it possible for Anchorage ratepayers to expect to receive a significant refund from their municipal water and sewer utility. In the first rate case for Anchorage Water and Wastewater Utility (AWWU) in nearly 12 years, the Regulatory Commission of Alaska (RCA) recently agreed with the AG's position that the six million dollars in already implemented rate increases were not justified to offset increased payments the utility must pay the Municipality of Anchorage.

In RCA dockets U-04-22 & 23, the Anchorage water utility sought approval from the RCA of an overall rate increase of 22%; the sewer utility sought an overall increase of 15%. Together, these proposed increases total approximately \$10 million. AWWU claimed that a large portion of those proposed rate increases was necessary to cover increased MUSA payments assessed by the Municipality of Anchorage. The utility sought to increase rates in order to collect from ratepayers approximately \$6 million in order to pay the corresponding increase in Municipal Utility Services Assessment (MUSA) to the Municipality. The proposed modification in the MUSA formula would have nearly tripled the utility's MUSA payment rate to the Anchorage Municipality.

"Here, AWWU was passing along its cost of a municipal-imposed assessment to its customers," said Márquez. "There was no corresponding increase in service provided by the utility to justify the proposed increased assessment and resultant rate increase in this case."

AWWU rate payers have been paying more for their water and sewer service on an interim basis over the past year (since February 2005) while the utility Commission investigated matters, subject to refund (of the difference between the interim rates and the final approved rates) if the requested increases were not ultimately approved by the RCA. Over \$6 million of the \$10 million in revenue requirement increases requested by AWWU were the result of the Municipality's revision of its MUSA formula for assessing its utilities.

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(AWWU PAA, con't.)

The Attorney General elected to participate in the proceeding before the regulatory commission under his authority as the public advocate for utility issues. The AG's Regulatory Affairs & Public Advocacy (RAPA) section argued at hearing that the MUSA adjustment should be denied in its entirety and that AWWU was not entitled to any MUSA-based rate increase. In prefiled testimony, RAPA also disputed the utility's request that certain acquisition adjustments be allowed in consumer rates and argued that the utility's requested rate of return was excessive. All non-MUSA issues were resolved prior to the hearing.

The Commission agreed with the Attorney General's arguments and denied the utility's proposal to include MUSA on contributed plant in its revenue requirement. AWWU was ordered to submit a calculation of the resultant refund due to ratepayers by September 26. That filing will also be reviewed by the AG for compliance and accuracy before the specific amount of ratepayer refunds and the exact reductions in the utility's proposed rate increase will be known.

Consistent with RAPA advocacy and expert testimony at hearing, the Commission concluded that MUSA should not be assessed on contributed plant. The Commission also concluded that AWWU had failed to demonstrate that it is reasonable to burden ratepayers with such costs when they are otherwise excluded under regulatory standards. Further, the Commission determined that the proposed MUSA increase on the utility - without any corresponding increase in service levels by the Municipality to the utility - resembled a dividend which the utility is currently barred from paying to the Municipality of Anchorage.

In addition to refunds, Anchorage water and sewer ratepayers can expect to see a double digit percent reduction to the utility's proposed rate increases as a result of the AG's advocacy leading to the RCA's decision.

The order can be viewed in its entirety on the RCA website at:

[http://www.state.ak.us/rca/orders/utills/2004/u04022\\_16.pdf](http://www.state.ak.us/rca/orders/utills/2004/u04022_16.pdf)

Now that the RCA has entered its order in this case, AWWU must file a recalculation of its new rates and a plan for a refund by September 26. AWWU can request that the RCA reconsider its order. The deadline for making this request is September 19. In addition, the AWWU can seek to appeal the RCA order in Superior Court.

For additional information on this topic please contact Chief Assistant Attorney General for Regulatory Affairs & Public Advocacy Section Daniel Patrick O'Tierney at (907) 269-5200.

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