

PLANT REPLACEMENT IMPROVEMENT SURCHARGE MECHANISM (PRISM)

GHU/CUC PRISM FILING – FREQUENTLY ASKED QUESTIONS and ANSWERS

The Regulatory Commission of Alaska (RCA) approved plant replacement improvement surcharge mechanism (PRISM) regulations for water and wastewater utilities to establish a surcharge to recover capital costs associated with plant placed in service between general rate cases.

Below are some answers to frequently asked questions.

- How will the surcharge affect my water bill?

The charge, expressed as a percentage, is applied to the customer's billed charges (customer charge, meter charge, fire protection, and consumption charge). The average monthly surcharge by major customer class is listed below:

Water Bill (similar for sewer bill)

Customer Class	Avg. (gallons)	Avg. monthly bill	Proposed PRISM %	PRISM adj. on Bill
Residential Single Metered	3,189	\$47.11	1.72%	\$0.81
Duplex Metered (2 units)	5,307	\$73.48	1.72%	\$1.26
Multiple Residential Metered (8 Units)	21,724	\$240.21	1.72%	\$4.13
Commercial Metered	225,000	\$2,565.21	1.72%	\$44.12

- What is the current proposed PRISM rate?

The proposed PRISM rate for water is 1.72% and sewer is 1.80%.

- When will it become effective?

Any change in rates requires approval from the RCA. Based on when we filed, and pending RCA approval, we would anticipate a change in the revised PRISM rate to go into effect on or after April 15, 2017.

- How much money did the company invest in PRISM eligible projects and for what period?

The company invested approximately \$1.9 million in PRISM eligible water projects and \$2.7 million in PRISM eligible wastewater projects between January 1, 2015 and January 31, 2017.

- What is the purpose of the PRISM charge? How will PRISM benefit customers?

The Plant Replacement Improvement Surcharge Mechanism (PRISM) pays for critical infrastructure projects, including replacing and repairing water mains, fire hydrants, wastewater collection mains, lift stations and pumping equipment made of substandard materials, or otherwise in urgent need of repairs. These types of projects benefit our customers by improving the reliability of the water and wastewater systems, as well as enhancing water quality and fire protection. Delaying work on these kinds of projects could actually result in more costly problems down the road. PRISM also allows companies to fund these critical infrastructure projects on an ongoing basis, helping to create jobs in our communities and attract and retain businesses that rely on stable, efficient and cost effective water and wastewater services.

- Don't I already pay for this in my existing rates?

No. Your existing rates cover projects that were completed and placed in service before the end of the company's last rate case, December 31, 2014. The PRISM pays for specific types of projects that have been completed and placed in service since the end of the last rate case.

- Is this charge reviewed or approved by the RCA?

Yes. The company has submitted a comprehensive list of projects to the RCA for review and approval. About every six months, the company will submit its list of completed projects to the RCA, along with information about costs and the proposed charge to customers.

- Will the PRISM charge be separately identified on my bill?

Yes, it will appear as a separate line item on your monthly water and wastewater bill.

- How long with the surcharge remain in effect?

The company will update the surcharge rate every six months for new PRISM eligible plant placed in service. The surcharge rate will remain in effect until the company files its next rate case at which time the rate will be reset to zero.

- Is there a maximum cumulative surcharge rate that can be charged?

Yes. The maximum PRISM surcharge rate for water is 7.5% and wastewater is 5%.