

CHUGIAK COMMUNITY COUNCIL

**P.O. Box 671350
Chugiak, Alaska 99567**

March 18, 2007

TO: Distribution

SUBJECT: Resolution to Request Changes to AWWU Tariffs Regarding Levy Upon Connection Assessments

WHEREAS, in March 1996, Knik View Water Group, Ltd. sold its single community well water system (the "Knik View Well") to the Anchorage Water & Wastewater Utility (AWWU) to provide water to the Knik View Estates and Knik View Subdivisions located approximately one-half mile northeast of Birchwood Airport in the Chugiak Community Council area (Source: APUC 1996 0909 Knik View Docket U-95-021-1); and

WHEREAS 74 households in the Knik View subdivisions are currently supplied well water via AWWU's stand-alone "Knik View Water System" that is comprised of the Knik View Well, a 65,000 gallon reservoir installed in 1998, and standard distribution piping (Source: AWWU 12/15/06 Project Update); and

WHEREAS AWWU acquired the Knik View Water System with the knowledge and understanding that the system would benefit from an intertie connection to AWWU's parent water transmission and distribution network as demand increased. Therefore, AWWU allocated design funding for the intertie connection in 2003 (Source: AWWU 12/15/06 Project Update); and

WHEREAS AWWU received calls from Knik View Water System customers complaining about low water pressure and water quality during summer 2006. Therefore, AWWU accelerated the project's construction schedule (Source: AWWU 12/15/06 Project Update); and

WHEREAS the Knik View Well does not have back-up power and water delivery service is down during power outages (Source: AWWU 12/15/06 Project Update); and

WHEREAS AWWU's proposed project would provide a second water supply for the Knik View Water System customers by connecting the system to the Eklutna Water Pipeline's distribution network. The proposed project, "Knik View Intertie Water Main Extension", would be constructed in the public rights-of-way of Armas Drive and Deer Park Drive in Chugiak: to improve water delivery and water pressure for the Knik View Water System customers; to provide high volume flow in the event of fire or emergencies; to add AWWU system reliability and operating flexibility; and to reduce AWWU's operation, production, and maintenance costs (Sources: AM No. 784-2006 and AWWU 12/15/06 Project Update); and

WHEREAS AWWU's proposed project would provide water to the Knik View Water System customers in the event of a power outage once the intertie is complete (Source: AWWU Improvement Program Website www.awwu.biz/public/project/); and

WHEREAS it is unknown if AWWU considered other project options, for example, installing a booster pump and backup generator; and

WHEREAS AWWU Water Tariff regulations state that a customer in an area which experiences pressures less than 40 psi may elect or may be required by AWWU to install and maintain at their expense a booster pump within the plumbing of the structure. Additionally, the Tariff states that the Utility will not be liable for damages caused from the customer's failure to install or maintain booster equipment (Source: Anchorage Water Utility, Tariff for Water Service, APUC No. 122, Number 2, Sheet No. 75); and

WHEREAS it came to the attention of the Chugiak Community Council that some Knik View Water System customers had been unaware of AWWU's plans that, once the intertie was installed, the Knik View Well would be placed in standby mode (www.awwu.biz/public/project/) and the customers' well water would be replaced with Eklutna Water Pipeline water treated with chlorine and fluoride, and that these customers had strong opinions about changing their water source; and

WHEREAS the Municipal Assembly is currently considering a resolution that would approve the construction of the Knik View Intertie Water Main Extension and would create assessments to be levied upon connection for fifteen parcels that abut the proposed intertie alignment but are not served by the Knik View Water System (Source: AR No. 2006-277); and

WHEREAS a Water Improvement District was not formed for this intertie improvement project since the petitioner is AWWU; and, since no balloting of any individuals occurred there appears to be insufficient information to determine:

- If the improvement and new service is necessary;
- If there is support by a majority of the Knik View Water System customers or by a majority of the owners of the fifteen parcels abutting the proposed intertie alignment;
- If the improvement is of benefit to the fifteen parcels to be assessed; and

WHEREAS AWWU Water Tariff regulations state that to calculate the annual Levy Upon Connection rate (\$ per square foot of benefited area), the total certified project costs shall be reduced by...the cost of materials to oversize water main extensions where oversizing is required by the Utility (Source: Anchorage Water Utility, Tariff for Water Service, APUC No. 122, Number 2, Sheet No. 164); and

WHEREAS AWWU estimates the cost for installing this backup water supply for the Knik View Water System customers is \$441,463. Under the current AWWU proposal, Knik View Water System customers, who would receive the benefit from the proposed improvement, would not bear any of the liability for the costs associated with the project. Instead, the full cost of this project would be borne by the fifteen parcels abutting the proposed intertie alignment but not served by the Knik View Water System (Source: AR No. 2006-277); and

WHEREAS the fifteen parcels subject to these Levy Upon Connection Water Assessments are large rural lots of 40,000+ square feet in area and are served by privately-owned on-site water wells. Since the Levy Upon Connection Water Assessments are calculated using each parcel's assessable area, the resulting estimates are quite expensive because the parcels are large. These estimated assessments range from \$9,398 to \$54,760. The average assessment of \$29,431 would cover the replacement cost of the private on-site water wells two to three times each. These assessments would be recorded and held against the individual property until the assessment is paid. An assessed property owner would not have to pay the assessment until the property owner decides to connect up to the AWWU water main or until a lending institution requires the assessment to be paid upon refinancing or sale of the property (Source: AR No. 2006-277); and

WHEREAS, in the broadest context, there are three entities that would benefit from this proposed project:

1. AWWU would have added reliability and operating flexibility; improved water delivery and pressure; reduced operational, production, and maintenance costs; and the water delivery and pressure concerns from customers in the Knik View subdivisions would be resolved. Additionally, should AWWU opt to shut down the pumping system that currently supplies the Knik View subdivisions then AWWU would benefit by saving the operating and maintenance costs associated with well operation, water testing, and system treatments. AWWU's benefit may represent 90%-100% of the project benefit.
2. The 74 households served by the Knik View Water System would have higher reliability, higher pressure, and, arguably, better water quality. These benefits would represent a small percentage of the project benefit since the customers would simply continue to receive the water delivery service that they have been paying AWWU to provide.
3. The fifteen property owners abutting the proposed intertie alignment would have the opportunity to connect to a city water main to replace their existing individual on-site well water supplies with purchased water supplied by AWWU. However, the only benefit would be the difference in value of their property for having city water instead of well water less the costs of installing the connection from the city water main to their dwellings.

The property owner's connection costs would include installing the connection to their dwelling, permanently disconnecting their well water from their dwelling, and paying monthly water usage fees to AWWU.

Actually, the fifteen property owners would receive negative benefits from this project since AWWU's estimated Levy Upon Connection Water Assessments range from 11% to 68% of the 2007 MOA-assessed land value of the individual parcels. It is highly unlikely that having city water would add 11% to 68% to their land values (Sources: AR No. 2006-277 and Municipality of Anchorage Real Estate Property Taxes Website www.muni.org/treasury/prop_index.cfm); and

WHEREAS AWWU Water Tariff regulations state that:

- A "transmission main" means a water main which generally transports water from a treatment facility to distribution mains;
- A "connecting water main" means a water main installed for the purpose of interconnecting developed portions within the Utility's service area to ensure an adequate flow of water under sufficient pressure;
- ...the Utility will not levy assessments for the construction of either transmission mains or of connecting water mains constructed by the Utility to assure the delivery of an adequate flow of water under sufficient pressure...(Source: Anchorage Water Utility, Tariff for Water Service, APUC No. 122, Number 2, Sheet Nos. 10, 17, and 155); and

WHEREAS AWWU Water Tariff regulations state that the Utility shall use its best efforts to furnish service in compliance with applicable laws, ordinances and regulations. However, it shall not be liable for damage caused by interruptions of service, irregularity of service, or failure of service, whether they occur as a result of the failure of Utility facilities, accidents, acts of third persons or other circumstances, unless such events were within the Utility's reasonable control (Source: Anchorage Water Utility, Tariff for Water Service, APUC No. 122, Number 2, Sheet No. 113);

NOW, THEREFORE, BE IT RESOLVED that the Chugiak Community Council supports AWWU in reducing their operating and maintenance costs and improving the reliability of their water delivery systems; and

BE IT FURTHER RESOLVED that the Chugiak Community Council recommends it be recognized that:

- This proposed project does not have the support of a Water Improvement District;
- Knik View Water System customers might be unaware of AWWU's complete plans to replace their well water with treated city water;
- AWWU does not have any obligation to construct the intertie connection or any liability if the intertie connection is not constructed;
- AWWU is not obligated to provide 100% availability of water delivery during power outages;
- There might be less-costly alternatives to the proposed project;
- The design of the proposed intertie is oversized to serve 74 existing and possibly future AWWU Knik View Water System customers rather than just being sized for the fifteen potential AWWU customers whose property is abutting the proposed intertie alignment;
- The proposed intertie would primarily function as a transmission main transporting water from the Eklutna Water Pipeline to the existing distribution mains in the Knik View subdivisions. Additionally, the proposed intertie would function as a connecting water main interconnecting developed portions of AWWU's service area to assure the delivery of an adequate flow of water under sufficient pressure. Hence, the function of the proposed intertie should not be construed to be a distribution main;
- AWWU cannot levy assessments for the construction of this intertie and be in compliance with the AWWU Water Tariff;
- The levying of assessments for the construction of this intertie might invite challenges before RCA; and

BE IT FURTHER RESOLVED that the Chugiak Community Council concludes that the construction of this intertie would primarily benefit AWWU's quality of service, and, therefore, the Council recommends that the bulk, if not all, of the costs should be covered by AWWU; and

BE IT FURTHER RESOLVED that the Chugiak Community Council recommends that, should Levy Upon Connection Water Assessments be applied to the entities involved in this proposed project, the amount of the assessments should be proportionate to the economic benefit received by the entities and to the economic burden imposed upon the entities, and oversizing should be factored into the calculation; and

BE IT FURTHER RESOLVED that the Chugiak Community Council recommends modifications to the AWWU Tariffs: to eliminate or reduce the financial impact to property owners whose properties are coincidentally located adjacent to Utility installations and who would not directly benefit from the installations; to reduce the undue financial impact to owners of large rural lots; and to divide installation costs as equitably as possible.

Passed by the Chugiak Community Council on January 18, 2007.

Signed: _____

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Distribution:

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The Honorable Fred Dyson, Alaska Senator
The Honorable Charlie Huggins, Alaska Senator
The Honorable Bill Stoltze, Alaska Representative

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