



MEMORANDUM

TO: LCA Board of Directors
FROM: Liesel Gross, CEO
DATE: November 5, 2018
RE: 2019 Water & Sewer Rates

Attached: Sample Residential Bill Calculation for Allentown and Suburban Water (historical rates)
Suburban Water Rate Study (with proposed rates through 2022)
Proposed 2019 Water & Sewer Rate Schedules

The 2019 water and sewer rates are presented in the attached schedules for the Board of Director's consideration for adoption on November 12, 2018. They will be posted on the LCA website in advance of their proposed adoption and shared with key customers directly in accordance with any existing service agreements. Should any customer or member of the general public have any questions or comments about these rates prior to their effective date of January 1, 2019, we will bring them back to the Board for consideration and to record them publicly for the record.

To assist the Board and the public with reviewing the proposed rates, a summary of the proposed rate changes is shown on the table below, and all changes are highlighted / shaded grey within the rate schedule documents.

In addition, it is important to note that these rates were discussed, reviewed and preliminarily approved as part of the 2019 budget process that began in August and was concluded in October. This submission represents formal adoption of the rates that were generated based 2019 budget calculations of revenue requirements as well as contractual requirements for rate-setting. In other words, there are "no surprises" included in the attached rate schedules.

Note on Suburban Water Rates: Excerpts of the key calculations that were conducted as part of the Suburban Water Rate Study are included in this packet for Board review. The calculations and tables included in this submission show sequentially:

Exhibit 1 (Page 1)	Estimated Operating Budgets
Exhibit 2 (Pages 2-6)	Allocation of Operating Expenses into Cost Centers (which drive different rate components)
Exhibit 3 (Page 7)	Estimated Debt Service Requirements (will be adjusted further following development of the 2019-2023 Capital Plan)
Table 1 (Page 8-9)	Projected Revenues Based on Current Rates, with Deficit / Debt Service Coverage calculated
Appendix B (Page 10)	Growth Projections
Table 4 (Page 11)	Proposed User Charges, based on all prior calculations
Table 5 (Pages 12-13)	Projected Revenues Based on Proposed Rates, with Deficit / Debt Service Coverage calculated

The 2019 proposed rates provided through this study are included in the Schedule of Water Rates for Board consideration and adopted, along with other rates as outlined below.

Water Rates

Rate	Page #	Description / Discussion
Suburban Water Volume Charges	1	Proposed changes in the volume rates were calculated via the water rate study conducted by Keystone Alliance Consulting in 2017 and 2018.
Public Fire Protection	2	Fire hydrant and system charges for public fire service provided by the Authority were evaluated as part of the water rate study described above.
Allentown Water Rates	9	The 2019 rates reflect increases based on the terms of the Concession Agreement with the City of Allentown. Such increases include an overall 5.1% increase in general rates, plus an updated calculation of the Capital Cost Recovery Charge per the methodology included in the agreement.

Wastewater Rates

Rate	Page #	Description / Discussion
Suburban Exceptional Strength Charge	5	As calculated in the Western Lehigh Interceptor User Charge Report that was submitted to municipal signatories in October 2018. Rates are calculated by formula in compliance with municipal agreements.
Western Lehigh Interceptor & Little Lehigh Relief Interceptor User Charges	7	As calculated in the Western Lehigh Interceptor User Charge Report that was submitted to municipal signatories in October 2018. Rates are calculated by formula in compliance with municipal agreements.
Allentown Sewer Rates	9	The 2019 rates reflect increases based on the terms of the Concession Agreement with the City of Allentown. Such increases include an overall 5.1% increase in general rates, plus an updated calculation of the Capital Cost Recovery Charge and Administrative Order Fee per the methodology included in the agreement.
Allentown Exceptional Strength Charge	10	As calculated by formula and applied to the City's municipal signatories and in-City customers with high-strength waste discharges.
Allentown Industrial Pretreatment Charges	10	Fees that may apply to individual customers depending on permit parameters, based on actual costs.

2019 Tapping Fees / Customer Facilities Fees

Throughout both the water and wastewater rate schedules, several items are marked with a notation that the rate is "Subject to Tapping Fee Resolution No. 11-2018-1." These rates are presented in more detail along with the required Resolution of the Board for adoption of such fees, as required by law. Upon approval of the Resolution, the rate schedules will be updated and posted on the Authority's website as a complete package of all current rates.