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MEMORANDUM

TO: LCA Board of Directors
FROM: Liesel Gross, CEO
DATE: November 7, 2022
RE: 2023 Water & Sewer Rates

Attached: Sample Residential Bill Calculations for LCA Service Areas
Lehigh Valley Water & Sewer Rate Comparison
Proposed 2023 Water & Sewer Rate Schedules

Important Reminders

1. Lehigh County Authority is a non-profit, municipal authority. All revenues collected through our water and sewer rates are used for the sole benefit of the system to pay for current expenses or to fund future capital improvements. Our Board of Directors are unpaid volunteers, and LCA has no shareholders to pay.
2. While LCA operates as a single organization, the water and sewer revenues collected from our customers in Suburban communities may not and will not be used to pay for expenses associated with the Allentown Division lease agreement. Likewise, revenues from our customers in Allentown may not and will not be used to pay for expenses associated with our Suburban Division water or sewer operations. This is specified in all LCA bond documents that prohibit the mixing of revenues.
3. Our nation's water and wastewater systems face staggering public investment needs over the next several decades. The American Society of Civil Engineers' 2020 economic study, "The Economic Benefits of Investing in Water Infrastructure: How a Failure to Act Would Affect the U.S. Economic Recovery" found that the annual drinking water and wastewater investment gap will grow to \$434 billion by 2029. In LCA's service area, we expect our local need to be well in excess of \$200 million over the next 10 years. As a utility and a community, we must be prepared for continued increases to our water and sewer rates to meet these system needs.
4. LCA's mission is to protect public health and the environment by providing high-quality, safe, and reliable water and wastewater services. We take this responsibility very seriously. The decision to raise rates is weighed carefully against the long-term needs of the system so that we can fulfill this mission.

Rate Setting & Review Process

Lehigh County Authority's 2023 water and sewer rates are presented in the attached schedules for the Board of Director's consideration for adoption on November 14, 2022. They have been 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 questions or comments about these rates prior to their effective date of January 1, 2023, 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 attached. A calculation of the impact to a typical residential customer is also attached to this memo along with a comparison of how LCA’s rates compare to other water/sewer utilities in the Lehigh Valley region.

It is important to note that these rates were discussed, reviewed, and preliminarily approved as part of the 2023 Budget process that began in July and was concluded in October. This submission represents formal adoption of the rates that were generated based on 2023 Budget calculations of revenue requirements as well as contractual requirements for rate-setting.

Water Rates

Rate	Page #	Description / Discussion
Suburban Water Volume Charges	1	Proposed changes in the volume rates were calculated by LCA’s rate consultant in 2022 using a “cost of service” model designed to distribute actual system costs to customers in accordance with their water usage.
Public Fire Protection	2	Fire hydrant and system charges for public fire service provided by the Authority were evaluated as part of the 2022 water rate study.
Allentown Water Rates	6	The 2023 rates reflect increases based on the terms of the Concession Agreement with the City of Allentown, as amended in the summer of 2020. Such increases include an overall 10.1% increase in general rates, phased in increases to fixed charges, 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 2022. 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 2022. Rates are calculated by formula in compliance with municipal agreements.
Line Inspection & Cleaning Services	8	LCA staff recommend removing this section of the rate schedule, as sewer services provided to other entities are charged based on actual labor and equipment costs for such services.

Rate	Page #	Description / Discussion
Allentown Sewer Rates	9	The 2023 rates reflect increases based on the terms of the Concession Agreement with the City of Allentown, as amended in the summer of 2020. Such increases include an overall 10.1% increase in general rates, phased in increases to fixed charges, 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.

2023 Tapping Fees / Customer Facilities Fees

Any updates to these fees that may be required will be brought to the Board at a later date with required documentation and Resolution.

Lehigh County Authority - Proposed 2023 Rates

Bill Sample: Average Residential Customer, 15,000 gallons per quarter

	Lower Macungie Twp*	Upper Milford Twp**	Upper Macungie Twp*	Allentown Division	Lynn Twp**	Heidelberg Heights **	Washington Twp **
Water Fixed Charge	\$31.30	\$31.30	\$31.30	\$66.95	\$31.30	\$31.30	\$31.30
Water Volume Charge	\$53.70	\$53.70	\$53.70	\$74.29	\$53.70	\$53.70	\$53.70
Quarterly Water Bill	\$85.00	\$85.00	\$85.00	\$141.24	\$85.00	\$85.00	\$85.00
Sewer Fixed Charge	\$62.50	\$21.00	\$89.00	\$23.27	\$158.98	\$21.00	\$124.00
Sewer Flow Charge	\$24.00	\$67.95	n/a	\$54.67	n/a	\$142.95	\$75.00
Quarterly Sewer Bill	\$86.50	\$88.95	\$89.00	\$77.94	\$158.98	\$163.95	\$199.00
TOTAL QUATERLY BILL	\$171.50	\$173.95	\$174.00	\$219.18	\$243.98	\$248.95	\$284.00
ANNUAL WATER & SEWER BILL	\$686.00	\$695.80	\$696.00	\$876.72	\$975.92	\$995.80	\$1,136.00

* LCA customers in Lower Macungie and Upper Macunige townships receive sewer service and sewer bills directly from the township. Rate information reflects the township's most recently published rate schedule.

** No rate changes are proposed for sewer service in Upper Milford, Lynn, Heidelberg or Washington townships.

Lehigh Valley Water & Sewer Rate Comparison (Data from 2022, LCA 2023 Proposed Rates)
 24 communities in Lehigh Valley - average annual residential water & sewer bill (5000 gallons per month)

