

**Purchase of Columbia Sewer System by Lancaster Area Sewer Authority (LASA)
Frequently Asked Questions
October 1, 2015**

Sewer Bills

How will my billing change?

Residential and Public (municipal/church/firehouse/post office) customers – LASA bills its residential customers a fixed - or flat - quarterly rate of \$87.00 per dwelling unit per quarter. The purchase agreement between Columbia and LASA requires a five year transition from Columbia rates to LASA rates.

We will convert each customer from flow-based to flat-rate based billing. We will calculate each customer’s average bill from Columbia over the past two years. Using this average amount, each customer will initially be charged a quarterly flat rate by LASA based on the chart below:

| <u>If your average monthly bill per dwelling unit from Columbia was:</u> | | <u>Your initial quarterly flat per dwelling unit from LASA will be:</u> |
|--|-----------|---|
| <u>From</u> | <u>To</u> | |
| \$0.00 | \$22.00 | \$60.00 |
| \$22.01 | \$25.00 | \$66.00 |
| \$25.01 | \$29.00 | \$75.00 |
| \$29.01 | \$35.00 | \$87.00 |
| \$35.01 | \$45.00 | \$105.00 |
| \$45.01 | \$60.00 | \$135.00 |
| \$60.01 | \$80.00 | \$180.00 |
| \$80.01 | \$105.00 | \$240.00 |
| \$105.01 | \$130.00 | \$315.00 |
| \$130.01 | \$170.00 | \$390.00 |
| \$170.01 | \$210.00 | \$510.00 |
| \$210.01 | \$250.00 | \$630.00 |
| Over \$250.00 | | \$750.00 |

These initial flat rates will then be adjusted each January over the next five years until each rate matches the rate paid by the other LASA customers.

- Rates that are less than LASA’s current rate will be increased 10% per year until they match LASA’s current rate.
- Rates that are higher than LASA’s current rate will be reduced 35% per year until they match LASA’s current rate.

- After five years, all customers in Columbia will be paying the same rates as that paid by the other LASA customers.

LASA bills residential customers quarterly with bills mailed at the beginning of the quarter in January, April, July, and October. However, during this transition time, LASA will use the following schedule to transition from Columbia’s billing schedule to LASA’s billing schedule:

| <u>Bill Date</u> | <u>Period Covered</u> |
|--|---------------------------------|
| August 1, 2015 | June and July |
| September 1, 2015 | August and September |
| November 1, 2015 | October, November, and December |
| January 1, 2016 | January, February, and March |
| Quarterly thereafter for each upcoming quarter | |

Commercial/Industrial customers – LASA bills its commercial customers quarterly based on water consumption based on the rates below:

| <u>Quarterly Consumption in Gallons</u> | | <u>Rate per 1000 gallons</u> | <u>Minimum Charge</u> |
|---|-----------|------------------------------|-----------------------|
| <u>From</u> | <u>To</u> | | |
| 0 | 31,500 | | \$87.00 |
| 31,501 | 1,531,500 | \$3.86 | |
| 1,531,501 | 4,531,500 | \$3.22 | |
| Over 4,531,500 | | \$2.76 | |

The purchase agreement between Columbia and LASA requires a five year transition from Columbia’s flow-based rates to LASA’s flow-based rates.

The initial flow-based charges for Columbia commercial customers will use the rates below:

| <u>Quarterly Consumption in Gallons</u> | | <u>Rate per 1000 gallons</u> | <u>Minimum Charge</u> |
|---|-----------|------------------------------|-----------------------|
| <u>From</u> | <u>To</u> | | |
| 0 | 31,500 | | \$87.00 |
| 31,501 | 1,531,500 | \$7.94 | |
| 1,531,501 | 4,531,500 | \$7.94 | |
| Over 4,531,500 | | \$7.94 | |

These rates will be adjusted each January over the next five years until the rate for each consumption tier matches the rates paid by the other LASA commercial customers.

- Rates for consumption tiers that are higher than LASA’s current rate will be reduced 14.5% per year until they match LASA’s current rate.
- After five years, the rate for each consumption tier will be the same as that paid by the other LASA commercial customers.

LASA bills commercial customers quarterly with bills mailed at the beginning of the month in January, April, July, and October for the previous quarter's usage. However, during this transition time, LASA will use the following schedule to transition from Columbia's billing schedule to LASA's billing schedule:

| <u>Bill Date</u> | <u>Billing Period</u> |
|---|----------------------------------|
| October 1, 2015 | June, July, and August |
| January 1, 2016 | September, October, and November |
| Quarterly thereafter for each prior quarter | |

Why did you change residential flow-based billing to flat rate billing?

Wastewater utilities state-wide are split about 50/50 – half bill residential on flow while the other half bill them flat rate. LASA bills residential flat rate – currently at \$87.00 per quarter.

The principle of flat rate billing is that wastewater utilities are by their nature highly capital intensive with high fixed costs that must be spread out over many customers for efficiency. Although the amount of flow from a customer does have some effect on operating expenses, our cost to serve a typical residential customer is about the same regardless of the flow, within a fairly wide range of flows.

Another benefit from flat rate billing is its simplicity resulting in fewer errors and lower administrative costs.

What will my residential bill be at the end of the five year transition period?

The current LASA rate is subject to increases over time due to inflation and system maintenance requirements. We cannot guarantee any certain increase amount, but can point to the history of LASA rate adjustments – which is 2.0% per year over our nearly 50 year history and 1.75% per year on the average more recently since the year 2000.

Can you guarantee my rate will not continue to go up?

We can predict that LASA rates will increase over time due to inflation and system maintenance requirements. We cannot guarantee any certain increase amount, but can point to the history of LASA rate adjustments – which is 2.0% per year over our nearly 50 year history and 1.75% per year on the average more recently since the year 2000.

By law we must defend rates as reasonable and uniform. We cannot guarantee a certain rate because our bond holders require that LASA generates enough revenue to pay off the bonds.

I have apartments. How will I be affected?

For multi-unit facilities, LASA charges its flat rate for each unit. So you will be converted from flow based billing to flat rate billing. We will use your average bill from Columbia over the past two years and divide it by the number of units in your building. Using this average amount per unit, you will be charged a quarterly flat rate per unit by LASA based on the chart below:

| <u>If your average monthly bill per dwelling unit from Columbia was:</u> | | <u>Your quarterly flat per dwelling unit from LASA will be:</u> |
|--|-----------|---|
| <u>From</u> | <u>To</u> | |
| \$0.00 | \$22.00 | \$60.00 |
| \$22.01 | \$25.00 | \$66.00 |
| \$25.01 | \$29.00 | \$75.00 |
| \$29.01 | \$35.00 | \$87.00 |
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| \$130.01 | \$170.00 | \$390.00 |
| \$170.01 | \$210.00 | \$510.00 |
| \$210.01 | \$250.00 | \$630.00 |
| Over \$250.00 | | \$750.00 |

These initial flat rates will be adjusted each January over the next five years until each rate matches the rate paid by the other LASA customers.

- Rates that are less than LASA’s current rate will be increased 10% per year until they match LASA’s current rate.
- Rates that are higher than LASA’s current rate will be reduced 35% per year until they match LASA’s current rate.
- After five years, all customers in Columbia will be paying the same rates as that paid by the other LASA customers.

LASA bills apartment owners quarterly with bills mailed at the beginning of the quarter in January, April, July, and October. However, during this transition time, LASA will use the following schedule to transition from Columbia’s billing schedule to LASA’s billing schedule:

| <u>Bill Date</u> | <u>Period Covered</u> |
|----------------------|---------------------------------|
| August 1, 2015 | June and July |
| September 1, 2015 | August and September |
| November 1, 2015 | October, November, and December |
| January 1, 2016 | January, February, and March |
| Quarterly thereafter | for each upcoming quarter |

I own a business in the Borough. How would I be affected?

Your rates per 1,000 gallons discharged will decrease. The amount of decrease however will depend on your usage. LASA has flow-based tiers with varying rates per 1,000 gallons depending on the usage that currently range from \$2.76 - \$3.86 per 1,000 gallons. The current Columbia rate of \$7.94 per 1,000 gallons will decrease 14.5% per year over 5 years until they reach the LASA rates at the time.

I am a resident living in West Hempfield Township but my flow goes to Columbia. How would I be affected?

We have taken over the bulk agreement with West Hempfield Township and will charge West Hempfield Township the same Bulk Service charge we are currently charging Manor Township. But West Hempfield Township will continue to bill their customers. We have some interest in negotiating with West Hempfield Township in the future to take over their system and add them as LASA customers.

Who can I contact to complain about service or my bill? What recourse do I have now that I cannot go to Borough Council to complain? What control does Council have over run-away rates? What about the PUC?

You have the right to complain to your public officials in Columbia, who can forward that complaint to the proper contact with LASA. Complaints or concerns can always be directed to LASA staff in person at our office 130 Centerville Road, through the LASA website, or by phone to LASA at 299-4843.

Complaints or concerns can also be directed to the LASA Board, represented by 7 officials appointed by the 7 LASA municipalities, at any regular Board meeting the 4th Thursday of every month at 7:30 am, or anytime through the Executive Director Michael Kyle at 344-5832.

State law dictates that the Authority must set rates that are “reasonable and uniform”. The same law also dictates that Lancaster County Court of Common Pleas has exclusive jurisdiction to determine questions on rates or service.

The ultimate recourse for grievances and rate disputes is through the Court of Common Pleas. The PUC does not have any jurisdiction over the rate setting – it is the responsibility and sole authority of the LASA municipal authority to set rates.

Why are the rates being adjusted over 5 years? Why not 10 years?

The asset purchase agreement includes a 5-year rate transition. The transition time affected the valuation of the system– in general the longer the transition the lower the offer price. The Columbia negotiating team chose 5 years as the optimum transition period.

Where and how do I pay my LASA bill?

LASA bills can be paid a number of ways, as follows:

- Direct debit – Each customer will receive directions on how to sign up for direct debit
- On-line – Each customer will received directions on how to sign up to pay on-line
- By mail to 130 Centerville Road or in person at 130 Centerville Road

What happens if I pay my LASA bill late?

There are penalties and interest applied to late payments, as described in the LASA Rules and Regulations. LASA will work with you to arrange a way to pay on your sewer bill in a timely fashion. However there are fees and penalties for late payment. For delinquent accounts, we file a lien against the property to guarantee payment and we have the authority to direct the water company to shut off water service for failure to pay your sewer bill.

I'm a restaurant owner; I know restaurants in the current LASA service area are sometimes surcharged due to the strength of their waste. Will I be surcharged? What will my bill be?

LASA's Rules and Regulations allow for the collection of surcharges when a commercial facility is discharging waste that is of a higher strength than domestic waste. You may be surcharged for the portion of your waste that exceeds domestic strength. Your surcharge bill would vary depending on the strength of the waste discharged.

When will my bill be changed?

Billing will be converted on June 1, 2015 and all new rates will be reflected on the first LASA bill received. You may however still receive a bill from Columbia for services they provided through the end of May 2015. There will be a transition billing period as we move from Columbia's monthly billing schedule to LASA's quarterly billing schedule.

Residential and Public customers – For residential and public customers (municipal / church / firehouse / post office), LASA bills are mailed at the beginning of the quarter in January, April, July, and October. During the transition time, LASA will bill on the following schedule:

| <u>Bill Date</u> | <u>Period Covered</u> |
|--|---------------------------------|
| August 1, 2015 | June and July |
| September 1, 2015 | August and September |
| November 1, 2015 | October, November, and December |
| January 1, 2016 | January, February, and March |
| Quarterly thereafter for each upcoming quarter | |

Commercial/Industrial Customers – For commercial and industrial customers, LASA bills are mailed at the beginning of the month in January, April, July, and October for the previous quarter’s usage. During the transition time, LASA will bill on the following schedule:

| <u>Bill Date</u> | <u>Period Covered</u> |
|---|----------------------------------|
| October 1, 2015 | June, July, and August |
| January 1, 2016 | September, October, and November |
| Quarterly thereafter for each prior quarter | |

The Asset Agreement and Valuation

Do we have a seat on the LASA Board? If not, why not?

The purchase agreement did not include a seat on the LASA Board for Columbia. The valuation of the system is affected by Board membership and equity in the system – and the value would have been less if Columbia desired a seat on the Board and equity in the system. During negotiations the Borough made a decision to not include Board representation in the proposal.

How was the \$8.6 Million cash value calculated?

There are many different ways to value a sewer system, including depreciated book value, replacement value, and market value. But the primary method that drove the price was the Earnings Value – Debt Supported method. In this method, we look at the discounted cash flow from the system over a long period of time, which factors in the cost of operation and maintenance, capital costs, inflation, and revenues. The difference between all of the revenues and all of the costs is the amount that can be paid for the system.

Are there any remaining items in the asset purchase agreement to be completed? The following items need to be completed

- Billing conversion from Columbia rates to LASA rates – Begins June 2015 (final rate transition will not be complete until 2020).
- Start construction of the transportation facilities that will convey the sewage to LASA’s treatment facility – January 2016
- Startup of transportation facilities – November 2016

LASA Operations

I live near the treatment plant; will I experience odors at the new pump station?

Control of odors is important to LASA. Pumping stations typically produce fewer odors than treatment plants. We expect this to be the case when the new pumping station is operational.

I’m a hauled waste customer; will I be able to discharge at the new pump station? Where can I discharge?

There are currently no plans to accept hauled waste at the new pump station. LASA's treatment plant in Washington Boro is the designated location for the discharge and treatment of hauled waste.

I'm a restaurant owner; I know restaurants in the current LASA service area have their grease traps inspected? Will I be inspected?

Since grease can have a significant impact on the collection system and treatment plant, LASA has implemented a grease trap inspection program. If your facility has a grease trap, LASA or its representatives will perform routine inspections.

I'm an industrial customer; what are your requirements for industrial users? Would I need a permit? What fees are involved?

LASA's Rules and Regulations contain a chapter on industrial waste that lists all requirements. Commercial/industrial customers are generally issued an Industrial Waste Permit if their flow exceeds 25,000 gallons per day. Permitting fees range from \$200-\$500.

What part of my service line is my responsibility?

LASA has taken responsibility for the sewer line from your curb-line out to the main in the street. It remains your responsibility to maintain the line from the curb-line to your house.

How will you handle any sewer backups that occur in my property?

We respond to all calls about a backup and provide emergency cleanup services.

If the backup is caused by the LASA sewer we will pay for all remediation necessary on a one-time basis. We will require you to install a back-flow preventer to prevent future backups. If you fail to install the backup preventer and experience another backup we will not pay to remediate that backup.

What are the hours that the LASA staff is available during the day for questions or complaints?

LASA's office staff is available in person from 8:00 am to 4:30 pm weekdays, and the maintenance department is available from 6:30 am to 3:00 pm weekdays and the treatment plant has staff available 7:00 am to 11:30 pm weekdays and weekends from 7:00 am to 11:00 am. Of course you can always reach us through our emergency number.

How do I reach LASA personnel if I have a problem after the closing of the LASA office?

LASA staff is available 24/7, 365 days a year. After hours LASA works from a call center that will receive the complaint and then they will contact the LASA employee on call. To report a problem or emergency with your sewer service, contact LASA at the following numbers:

Monday – Friday 8:00 am – 4:30 pm – Call 717-299-4843, select Option 3

Evenings, Weekends, and Holidays – Call 717-396-9619 (24 hour Call Center)

What is your normal response time for a complaint?

After we receive a call from the call center, a LASA employee will contact you and ask what the complaint is in reference to and then respond. Most calls see a LASA person on site anywhere from 30 to 45 minutes.

Does your staff in the field have background checks done?

Yes, criminal background checks are done on all LASA employees. LASA employees also have identification cards that they carry, and will always be in uniform.

Does the LASA Maintenance Department do late night time work and if so would we be notified?

Yes at times to check flows, night time inspection work is performed. LASA staff will usually notify the homeowners with door hangers and also we contact the police and let them know that we will be doing work during the night.

Do I have to have my lateral inspected if I am doing a repair?

Yes, you need to call in and arrange a date and time with the LASA staff. There will also be an inspection fee of \$35.00 per visit for the inspection.

Will LASA staff be involved with any of the daily operations at the Columbia treatment plant?

No.

Will LASA provide updates to the Columbia citizens on the pipeline and pump station construction?

Yes, updates will be available on the LASA website.