

THE LAWRENCE LIFT

JANUARY 2021 - ISSUE 59



LAWRENCE UTILITIES NEWSLETTER

We recently changed PO Box address, our new information is listed below.

Payment Processing
PO Box 1366
Indianapolis, IN 46206-1366

If you are currently paying your utility bill through your bank, you will need to update the PO Box information to avoid your payment being returned. Please contact the billing office at 317-542-0511 if you have any questions.

SEWER UTILITY RATE ADJUSTMENTS

As you should be aware by now, the Sewer Utility is preparing to seek a rate adjustment in order to generate the revenue needed in order to meet existing operational costs, sewage treatment cost increases and to provide adequate capital funding to address ongoing performance issues brought on by age and deterioration.

In the next few issues of the Lift, I will explain various issues facing the Sewer Util-

ity. I will start with perhaps the most obvious issue, which is that the sewer utility has not had an adequate sewer rate adjustment since 2009.

As I have explained in previous issues of the Lift, the best way to manage rates is to have smaller but more frequent rate adjustments. We should be adjusting rates on a smaller scale every few years to be able to keep pace with rising operational costs, as well as adequately address serious system condition issues. These small-

er increases are easier for customers to plan for and work into their budgets.

This will be our plan moving forward. However, as we did with the water utility in 2017, the plan is to have an initial large increase followed by two smaller increases. We are also looking into structuring the rate increase to minimize the impact on those customers who are typically in the two low-volume user rates as established in the water rate increase.

CITIZENS WATER AUTHORITY CONTRACT

The next item I want to address is the renegotiated contract with Citizens Water Authority (CWA), which took effect in 2017. Going back a bit, for those who are not aware, the 1970's saw the elimination of the Lawrence and Fort Harrison sewage treatment plants and the construction of the East Marion County Regional Interceptor Sewer (EMCRIS) system. Since the construction of that system, Lawrence has been paying for sewage treatment services. First to the City of Indianapolis, then, starting in 2012, to CWA.

In simple terms, CWA had petitioned the Indiana Utility Regulatory Commission (IURC) for a sewer rate increase and the IURC granted the increase. However, certain parties objected on the basis that the satellite community contracts were not paying their fair share of the treatment costs (please note: Lawrence Utilities is one of the satellite communities' contracts). The IURC ordered CWA to address these issues with the satellite communities prior to their next rate petition. In 2015, CWA petitioned the IURC for a further increase stating there was no progress with the satellite communities. This

action stated that there was a subsidy of approximately \$14.5 million and that the satellite communities should make up this subsidy with a rate increase.

The IURC then granted the increase for CWA and created a "sub docket" to deal with the satellite community issues. Lawrence Utilities hired Kroger, Gardis & Regas and negotiations began. Through the diligent efforts of KG&R, along with Crowe, the \$14.5 million subsidy was reduced by approximately \$5-million. Here are some key provisions of the new agreement:

- ▶ Immediate capacity increase to 8 MGD average flow and 20 MGD peak flow.
- ▶ Under the Special Contract a 2-step 10-year phase in to the wholesale tariff rate will occur.
- ▶ With the help of Crowe, the following costs were negotiated out of the Satellite Customers' cost allocation:
 - ◆ Costs related to CWA sewer mains under 66";
 - ◆ All Inflow and Infiltration costs throughout the CWA system;
 - ◆ Costs of the Septic Tank Elimination Program;

◆ Costs of any future "Income Qualified" rates.

These reductions reduced the "Subsidy" from \$14.5 million to approximately \$9 million

In 2018, we were paying \$0.75 per thousand gallons. The table below shows the cost per thousand gallon increases we will be subject to through 2025, when Phase II of the contract becomes effective:

Year	Treatment Charges (per 1,000/gals.)	
	\$ Amount	% Increase
2018	\$ 0.75166	
2019	\$ 0.97180	29.3%
2020	\$ 1.17210	20.6%
2021	\$ 1.41480	20.7%
2022	\$ 1.70700	20.7%
2023	\$ 2.02600	18.7%
2024	\$ 2.25560	11.3%
2025	\$ 2.48520	10.2%

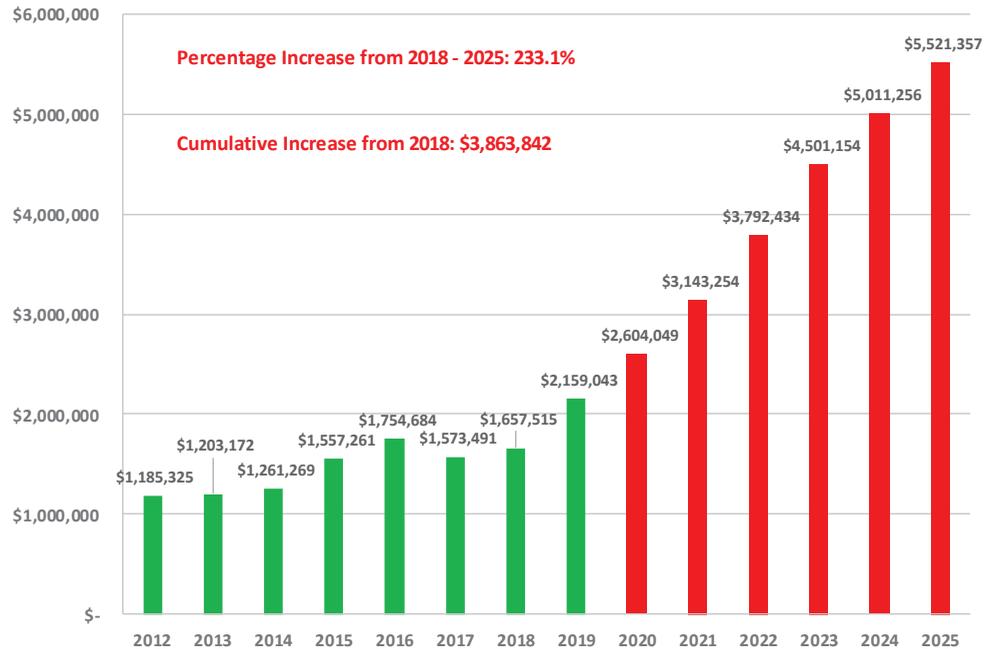
Our sewage treatment costs will increase by over 200% over the next several years. Thus, the CWA increase will comprise the largest part of our rate increase (see chart below depicting the estimated total cost impact to the Sewer Utility of this treatment cost increase).

CWA CONTRACT CONTINUED

While the sewer utility's financial situation is not as bad as what was going on with the water utility, it is imperative that we act soon to remedy the present situation. Investment in fixing our sewer infrastructure will benefit us by lowering the volume of clear water sent to the treatment plant, address poor system performance, and eliminate chronic overflows experienced in some parts of the city. Failure to address these funding issues now will cause us to fall further and further behind on infrastructure renewal, inhibit future development and will lead to further regulatory action. We have turned the corner with our water system, and now we need to do the same for the sewer system.

I will be providing additional information on other factors affecting rates in upcoming issues as we proceed to analyze rates and develop a plan for correcting the sewer utility's financial situation.

Annual Sewage Treatment Charges¹
2012 - 2019 Actual; 2020 - 2025 Estimated



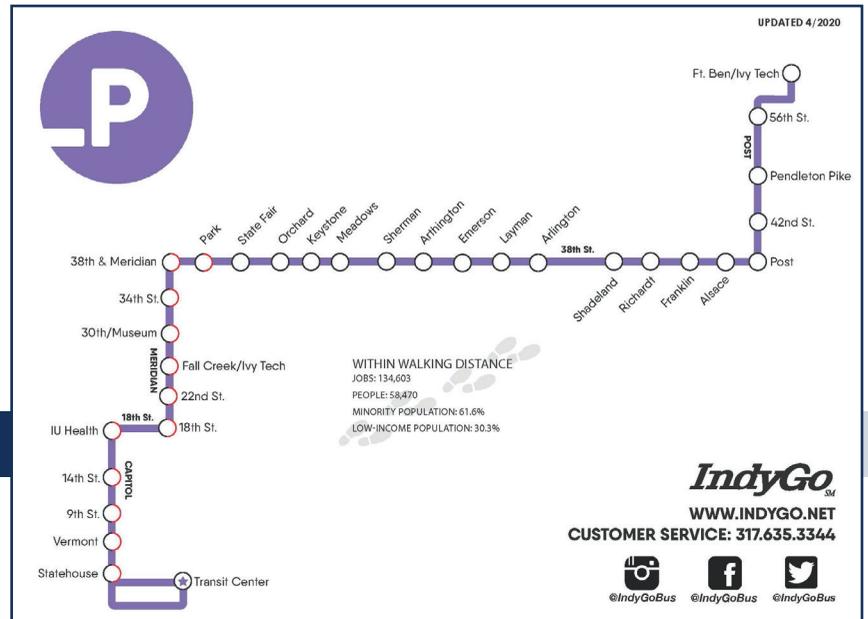
(1) - Estimated charges for 2020 through 2025 based on 2019 actual

PURPLE LINE UPDATE FROM INDYGO

The Purple Line, IndyGo's next bus rapid transit (BRT) line, will connect Lawrence to downtown Indianapolis through frequent, comfortable rapid transit service.

IndyGo plans to start construction on the Purple Line project in mid-2021. However, utility relocations will begin as early as this month. IndyGo will be sharing periodic updates about utility relocation progress and impacts on its website and through email newsletters.

Visit www.indygo.net/purple-line/ for project information and to sign up for the newsletter.



OUTDOOR PAYMENT KIOSK



For our customers: Please remember that our new outside payment kiosk located at 9001 East 59th Street (the City Government Center) is up and running and utility bills can be paid there 24/7 with cash, check or charge.

You will need to have your utility account number with you. It is located at the south side of the building and accessed via the drive-up lane. Additional signage will be placed soon, but it is easy to find and very easy to use!