South Central Connecticut Regional Water Authority
Minutes of the October 21, 2021 Meeting

David: I see all of us are here. Good. Right. Well then, I will call the October meeting of the Regional Water Authorities Board to order at 12:30 and ask that you go right into the Safety Moment, please. Jeanine.

Jeanine: Hi, good afternoon, everyone. The safety moment is about deforestation. It's interesting. I've heard about deforestation, but I didn't really understand why it was so important. And if you read the Safety Moment, there are three or four really good reasons. A few of them are that, approximately 80% of the world's species lives in tropical rainforests. So obviously, when people clear the forest and don't cover it back with trees or without replacements, that's a problem. The other problem that might exist, it leads to... It has an impact on climate change, which results in weather patterns, altered weather patterns, extreme heat, too much rainfall, a lot of what we're seeing recently. It also lowers the quality of living and conditions and leads to the emergence of various problems that could potentially lead to death. And lastly, but not least important, trees play a critical role in facilitating the continuity of the water cycle, which obviously, is important to all of us here and maintains the balance between the water and the atmosphere and the water around land.

Tony: [crosstalk] Noticed that there's a plan. Sorry.

Jeanine: Go ahead.

Tony: There's a plan to categorize and track heat episodes. Are we planning to do anything with that?

Jeanine: So Ted, the environmental services group, I'm going to let you take that. Not sure. Ted, the question is the incidences of heat and, I think, rainfall too. Are we tracking any of that?

Ted: We're not tracking heat. We're certainly tracking rainfall and other weather related events.

Tony: Well, the national group is going to start to track heat and heat episodes. And the question is, will we take that data, which is going to be like hurricane data, and do anything with it on our end?

Ted: I will look into that, Tony. Can get back to you.

Tony: Thanks, Ted.

Ted: Yep.

David: All right. Seeing no further questions. Jeanine, thank you so much. And ask that we get right into the business. We are to meet as the Pension & Benefit Committee, who would like to ask that we recess this board and meet as the Pension & Benefit Committee.

Suzanne: I'll make [crosstalk].

Tony: Second.

David: So moved by Suzanne seconded by Tony and Kevin. All those in favor signify by saying aye. Passes unanimous. All right, Suzanne, it's all yours. We're in the pension benefit committee.

[PENSION &B BENEFIT COMMITTEE MEETS 12:33 TO 1:35 P.M.]

David: Okay. Thank you very much as Suzanne and committee. That was great. Very important and good work. Next, we have act on items arising from the committee and we don't have any, we just summarized. We'll go right into the consent agenda. Are there any questions or points of clarification regarding the four items on the consent calendar?

Catherine: David, I'm going to abstain for the September 23rd meeting, as I was not present.

David: Okay. Maybe what I'll do then... Yes, we'll do that essentially be separate votes then. Why don't we vote on the minutes first? All those in favor of the minutes.

Group: Aye.

David: Aye passes 4 0 1. I heard four ayes. All right. And then the other three items numbers two, three, and four. What's your pleasure on those? [crosstalk].

David: Suzanne, you are muted.

David: We want to move that, move by Suzanne [crosstalk]. And seconded by?

Catherine: I'll second.

David: Seconded by Catherine. All right. All those in favor of items two, three, and four in the consent calendar signify by saying, aye. [crosstalk] That unanimous for five votes. All right. Now we are into finance and the second large item on our agenda this afternoon, and very important manual exercise we do. And I don't know if it's large enough. I think we're handing it over to Larry for some color, or are we going right to Rochelle?

Larry: I'll make a few opening remarks. If we could maybe move to the agenda piece, the presentation, and then Rochelle will walk you through the actual presentation. We've got a different format here.

David: There we go.

Jennifer: One moment. Is it up now? [crosstalk].

Rochelle: Just go to the next page Jennifer.

David: Okay, just on page one.

Larry: There we go. We have two parts of this presentation, major parts. We have the base case of the ten-year model and then the target for the ten-year model and then a discussion of opportunities and vulnerabilities. And then, Rochelle did an additional five scenarios so that we have a total of seven scenarios and sensitivities that she did. And then next steps. But we took a different approach this year. In the base case, there are no mitigating steps that we did to offset the rate increase. It is what it is based on the projected capital program. However, in the target case, we took a number of steps to mitigate the future rate increases. But the thing to keep in mind in both cases, our capital budget is much higher than in the prior tenure model. For instance, over the next 10 years, we're projecting capital expenditures of $570 million, which is about $144 million higher than the last 10 year model.

That's due to some major capital programs that have been added to the model since last year. For instance, Whitney dam, in our last ten-year model, we had projected it would be a cost of $20 million. It is now projected at 40 million. In the Lead and Copper rule, that is really a placeholder at this point in time. And we'll have to wait and see what the final rules are from the EPA and what they're going to require utilities to do, and how many grants that we can receive. And also we spread the cost over 10 years, and that may not be possible to do. But nevertheless, in last year's 10 year model, we had a cost of $8 million for compliance with the Lead and Copper rule. And this year we are projecting $50 million currently over the 10 years. So between two items, Whitney dam, and the Lead and Copper rule, that accounts for half of that $144 million increase.

There's also a number of water treatment plant upgrades that are more expensive than we had anticipated due to quite frankly, supply chain issues and just general increased cost of materials and supplies and labor. And then we've had two more dam upgrades that we're going to have to do prospect and peat swamps. So altogether those capital projects have resulted in $144 million along with some other increase, and that has increased the tenure model, but we have taken a number of steps to mitigate those increases, which Rochelle will run through.

The other thing to keep in mind is that as we approach each rate application every 18 months, it will be based on the current situation that we are facing in terms of capital budget, what decisions we make on that, whether we increase the depreciation or put more money toward the pension fund or in one of the other funds, the use of interim financing and the like that might be able to offset some of the rate impact. There are a number of leavers that we can pull, as we get right up to preparing a rate application. So this will give you a sense of what we're seeing the next 10 years based on the assumptions that Rochelle will run through under the base and the target models. And then she can skip through the other scenarios, just to give you a feel for what that looks like. So with that, Rochelle, I'll turn it over to you.

Rochelle: Thank you, Larry. Jennifer, if you can go to the next page. This is the base case. And again, as Larry mentioned, this is basically taking all the information and not really making any efforts to mitigate other than things that we've already done. So some of the key underlying assumptions is we are assuming throughout the 10 years, that despite the draws that are in the odd, we reimburse the ratio realization fund to keep that at 10 million throughout all the 10 years. The other aspect in the base model, and you'll see this will change when we talk about the target, the growth fund is only being utilized here to fund a one commercial billing capital project that was agreed to last year and is continuing into fiscal 22, as well as a small amount of future years. Revenue decline is assumed to be the 1% trend that we're seeing. Net commercial revenue here in these case only includes the organic growth like hype safe and for the lab. It doesn't include the July transaction. It includes the July transaction as well as an estimate for our upcoming well safe product and the transaction.

And we'll see, we actually have models where it will that net income from those two areas will come into the construction fund to offset our debt financing. From a financing perspective in the base case, this reflect additional DWS RF projects, the timing of reimbursement, it still assumes that we get DWS RF monies after the project is done. So we reimburse ourselves. That's the current model that we're working under. Assumption regarding continuing to get grants from those DWS RF projects. It does include, and I'm going to get into this in a little bit more detail, and Larry touched upon it in his introduction. It does include an updated capital improvement plan, a very much updated capital improvement plan.

[inaudible] that rate applications continue to be every 18 months. From an expense perspective, for most of the expense categories we use the most recently published CBO projections. They were most recently published in July 2021. The exceptions do include pension, OPEB and medical. For the patient contribution, it assumes that we get to the fully funded level by 2025. That's consistent with our prior discussions and then after 2025, we're only funding at the most recent estimate for the annual service costs. Medical expenses, we're using what the actuary assumed in their last report. And for the OPEB we are even including in the base case increase above the recommended cash contribution when the pension gets to the fully funded level. The base case, we did not make any adjustment to depreciation. We'll talk about that when we talk about the target model and how we might modify the appreciation, especially when the pension gets to the fully funded level.

Those are really the key assumptions in the base case. Moving on to the next page. Here, you'll see what the results are of the base case model. [inaudible] the price per gallon still does remain approximately [inaudible] the 10 year price. And you'll see, and this will be more pronounced in the next page that there is an increase in capital expenditures.

And then we did recognize when you look at this, the base case, that we need to take steps to mitigate what the impact is going to be. You can see that if we really don't make any adjustments we would have a high, very high, relatively speaking, increase on a percentage basis in the next rate application, and when that will be effective, July 2023. We also see again, when you just let the, make no adjustments when pension gets a fully funded, you see a decrease and then you see some increases, especially looking out for the next a few years, we realized, and looking at the results that this really is what they are going to be quite acceptable, and that we really needed to take some mitigating steps. Moving on to the next page.

Again, under the base model, this shows what the key drivers are and the key driver of the upcoming rate applications, and in particular, the July 2023 rate application, it would be the capital program and the debt services associated with the funding of that capital program. You could actually see that O and M isn't really a very high driver [inaudible] depreciation in pilot. Pretty much constant depreciation here is based on the million dollars for each beta application. And pilots just based on an estimate of what mill rates and our pipe changes will be, but the capital is a primary driver in the base case. We can move to the next page.

We wanted to get a little bit more detail on the capital plan that's included in the base case. So there was a thorough review. A number of people were involved, both Jen asset management and operations and technology to really go through and update of our 10 year capital plan. The projects did go through and individually ranking. Again this was a slightly different approach, projects were ranked against projects within their own category. For example technology was ranked against technology projects and the infrastructure projects were ranked within their own particular area. Fully incorporates our risks ranking they still continues to incorporate the three R's that you've heard about, the risks, redundancy and resiliency. Annual programs were not ranked. The annual programs need to continue. Mary mentioned this base case includes $570 million of capital. That is actually through 2032.

The reason that we include 2032 is because the capital in 2032, the projection for that is going to impact the last rate application that's within the 10 year model. So that's versus the last model that for the same period was only at 426 million. Larry mentioned the Lead and Copper rule, again, just to reiterate, we have a placeholder, it looks like based on some late-breaking information that the placeholder that we have is probably on the low side, in that we expect that that number is going to be even higher, but more to come on that. Larry spoke about the increase in the Whitney dam project. We saw particular increases that we already now know about for the Derby tank and for the West river water treatment plants. And also for other water treatment plant projects. I will also mention that the CIS replacement project is included within this year's, it's actually much earlier. It was also included in the last 10 year model update, but the timing was very different, and it also reflects treatment projects for future regulatory compliance.

Critical things in the Lead and Copper rule, it's not going to be discretionary regarding whether we're going to have to comply with that and the implications of that revised rule. Also, if you go to the next page. Some other aspects of the capital plan, it is envisioned that we're going to continue to put forward all larger projects to achieve multiple objectives. The West river improvement project is an example of how multiple projects were combined in one. And that larger application was put forward to the authority board, as well as the RP big. You will see that with these larger projects, they mean larger dollars and larger contingencies also reflect capital efficiencies and how projects are bundled. And the management coordination that has efficiencies when projects group together. For the pie charts, you just see both in colors, as well as in percentages, what the distribution is across traditional categories.

You can see that one of the major drivers is a transition and pumping, and that is where the Lead and Copper rule is. And then also the dam is within the natural resources' category. So it just gives you a depiction of where the dollars are. Moving on to the next page. This is something that we look at very closely and we look at what our debt to capital ratio is. The trend is still down. This base model has us being in 2031, 77%. So it's still very much an improvement just to [inaudible] account that the actual ratio will depend on what the asset mix really is at the time. Both the capital is all within this model, net utility plan increases.

Rochelle: Model, net utility plant increases are still in excess of the addition to outstanding debt. From a gross perspective, we're adding millions and millions of dollars of gross plant, based on the capital projections. In this model the debt additions do exceed the principal payments. So while the outstanding debt is projected to increase over the current levels, again, with a significant increase in capital, we will see an improvement as well as the credit rating agencies improvement in our debt capital ratio. There is internally generated funds in this base case. It's about $186 million over the 10 year planning horizon. And again, we're generating internal funds based on the policy changes that have been made. Both by adding depreciation, continuing to add depreciation. The coverage and other changes that are now allowing us to generate internally generated funds. And the 186 is just from the time period of fiscal 22 through fiscal 31, the 10 years of a model.

Are there any questions on the base model before I move into the target? If not, Jennifer, if you can move to the first page of the target. So here, there are a couple changes. Certain things stay the same. So for the rate stabilization fund, we are still assuming that in the years that we have draw, a non-cash draw, we will reimburse the rate stabilization fund to its 10 million. The remainder will go into the construction fund. So we are not assuming that any sort of excess that will go into the growth fund. From the growth fund perspective, we've made a little different assumptions here. We're assuming that the growth fund will continue to fund that one capital project that is currently funding. We're also though assuming in this model, you'll see a reduction in growth fund balances because we are assuming, because we put into this model some additional growth in the commercial area.

So we have virtually depleted the growth fund based on its current balance. And I do want to mention that based on the commercial net revenue that's in this target plan, that there is a high potential that we'll need to use subordinate debt at the subsidiary level to reach those targets. Again, it does depend on what the actual mix is. How much is acquisition, how much might be other types of arrangements, but that is potential. The revenue similar to the base case, 1% year over year decline. This does include, as I just touched upon, the net coming from all the commercial areas meets the 9.2% target in fiscal 2025. It also assumes that the nonorganic growth is reflected by transferring into the construction fund. So it's not flowing through the revenue fund, it's going directly into the construction fund to offset debt financing. Some other differences between the target and the base is we are assuming in this target, that we're going to use interim financing to mitigate the rate increase in the next upcoming case.

The details of the capital plan have, even overall, it's an increase over the last 10 year model. There's an even more pronounced increase over the next few years that will be reflected in our upcoming rate application. Not the pending one, the one after that. So we are building in an assumption of interim financing. We've actually assumed that we're going to do interim financing and this target of about $26 million. Some good candidates for that would be projects that we're going to get TWS or F financing for, and that we could use intern financing. And then the interim financing will get rolled into the subsequent case when the pension gets to the fully funded level. We've also built in here, definitely some additional grants and subsidies. So in this model, we are assuming some grant funding of the Lead and Copper rule. We are also assuming that we get at least one of our projects that we put forward through Senator Murphy's office. That at least one of those three projects gets funded.

And we're also assuming that we are at least a little successful relative to the monies that we're going to get from municipalities or the states, that are from the state for ARPA financing. And we're working really diligently to try to make that happen. We've also built in here an estimate for refinancing. We are anticipating that even in our upcoming new money financing, we will be able to incorporate a refinancing. For the expenses similar to the base case, we also used the July, 2021 CBO projections. Pension, medical, and OPEB in this case, remain the same. However, for what we did do in the target model, and we've talked about this in prior model discussions. When the pension gets to fully funded, we are proposing an increase in depreciation. Because it's a somewhat of a one time opportunity to do that without really impacting the overall expense level.

So in this target model, we put in one and a half million of depreciation in the January, 2025 case. And we put one and a half million in the July 2026 case. So that is an opportunity. Moving on to the next page. So here you can see some very different percentages and absolute lower level of the average residential bill than you saw in the base case model. We are still approximately a penny a gallon over the 10 year horizon. The target model is the lowest of all the models that we looked at over the 10 year timeframe. And all the increases are less than 7%, except for 2028. And to be honest, we did focus a lot of attention on the outer years of the model. There is still time to address that based on the circumstances at the time. But you can see, for example, the July 2023, which will be the next application, those percentage increases and the dollar amount are significantly less on a percentage basis from what they were in the base case.

And as Larry mentioned, I think this is very important that the target modeling was somewhat illustrative to show the various levers that you can pull based on certain circumstances, but they do need to be looked at as we enter each of the upcoming rate applications. So for example, on depreciation, if there's another or change in O&M expenses, and we have an earlier opportunity to increase the depreciation amount, we can do that at that time. Maybe there'll be an opportunity to put 1.5 million in or the opposite could happen if there is particular needs, especially in the maintenance and repair area. We can keep that depreciation at the minimum requirement. Interim financing is another opportunity to further refine. We actually looked at this and I don't know if Rob has joined us, but he can relate to this comment that once you look at the results, yyou can continue to do multiple reiterations to further refine.

So if you do a little less than 26 million in interim financing, maybe have a slightly higher percent increase. But those are all the different levers that we can pull based on what O&M is actually doing. And other circumstances, all these assumptions can be tweaked based on what we're seeing occur. If you go to the next page, here again you see a contrast in the base model from the target model. So you can see a much lower component, relative to get service in the upcoming model and the upcoming rate application. That's because of the use of interim financing. So although it's still about 2.7 million in the base case, that debt service component was over 5 million. So the assumption again here is that interim financing, it does need to get rolled in to longer term financing.

And so it's being depicted as being rolled into that January 25 case. And that's the opportunity to do it because that's a case that's favorably impacted by the reduction in the pension contribution based on our current projections. And again, you can see that O&M is not a particular driver of the future rate applications and pilot is pretty much constant and you can see the increases in the January 2025 and the July 2026 case. You can see those green components of the bar a little bit higher, and that's where we're putting in the 1.5 million. And again, that allows us to have more internally generated funds. Moving on to the next page.

So again, a key thing to look at, we're working towards getting that debt capital ratio down. The difference between the base and the target is that we end in 2031 with about a three and a half percent lower debt to capital ratio. So that is positive. We did keep in this target view, I should mention. We did keep the capital the same as in the base case. It was more steps that we could take to mitigate those impacts. Again, the actual ratio will depend on the mix of the assets that we're adding and other factors at the time. Again, net utility plant increases by more than outstanding debt. And the increasing gross utility plant is significant. Did additions exceed the principal payments?

However, our outstanding debt in this target model is considerably lower than what it was in the base case.

It's over $30 million lower. And it just does demonstrate steps that we can take to mitigate the amount of debt. With the capital improvement plan, the outstanding debt is projected to be 568. And in the target model by fiscal 2031, we'd be at 632, but that's versus 666 billion target. And one of the other things I'll mention is I talked about earlier that the assumption in both these models is that any draw, if reimbursed into the rate stabilization fund. If we, through higher than anticipated revenue, lower than anticipated O&M, additional financings above and beyond what we've actually incorporated here, to the extent that we can mitigate those draws, it does mean that there'll be more money available to put in the construction fund, translate to a lower outstanding debt through this 10 year horizon so that there are even some additional leverage growth. Internally generated funds in the target model is 211. So it's significantly higher than it was in the base case. And the other thing that we've added here is 34 million of additional transfers into the construction fund.

That's including the additional grant funding to subsidize the capital plan. It also includes additional net income that we are incorporated that coming from the commercial enterprises to offset the debt financing for the utility. So that is definitely helping mitigate the debt requirements to support the capital plan. Opportunities and vulnerabilities, moving to the next slide. And these really pertain to both the base case, as well as to the target case. Regulatory requirements is going to be a big thing. The Lead and Copper rule and other regulatory requirements. And that can be an opportunity depending, or it can be really a vulnerability. Supply chain and pricing, I mentioned, this is something that we're going to have to watch really closely. We've definitely seen impacts of the supply chain and prices. We that for the Derby Tank, we saw it for the West River Improvement Project. And I would expect that at least for the year term, we're going to see an impact on supply chain from a price perspective. And probably also from a V time perspective.

DWSRF, to the extent that we can get more grant money that we can potentially fund more projects, although we've assumed a number. I should mention that we did assume that we're going to get DWSRF funding for the dam project. So that has been incorporated. But the extent that DWSRF is going to get additional monies from the federal government, they could have more monies available for grants. Ted and I have had some conversations with them, and that does look like a possibility. So that could be an opportunity. The lower interest rate environment that could impact our ability to do additional refinancings over and above what we've incorporated here. We actually have in both the base target a relatively low expectation based on our conversations with Acacia as far as what to expect on our interest income. So we kept that at a pretty low level that could possibly be more of an opportunity than a vulnerability. I mentioned grants, and if we could get additional monies than what we assumed for work [inaudible] and the municipalities from the American Rescue Plan Act, that would also be an additional opportunity.

We're also looking at WIFIA, Ted and I submitted a letter of interest for WIFIA funding for a dam project, and looking at if it's more beneficial to use WIFIA money versus DWSRF or some combination. We are allowed to combine WIFIA funding with Drinking Water State Revolving Fund financing. Operating expenses across multiple categories, there would be both opportunities as well as vulnerabilities. On the revenue side, conversion to monthly billing is a possible opportunity when we see what the impacts are of how our cash receipt is being impacted by the conversion of monthly billing. The commercial net income growth, as well as the timing. So the target case, we're basically made an assumption that the net income that's available from those commercial businesses get put into the construction fund at the end of the year for use in the subsequent year. But we can look at doing more frequent distributions into a construction fund. That could be an opportunity. Percent of billing collected, also something that we looked at. Could be an opportunity and not a vulnerability.

Billed consumption, that's weather dependent, also goes in both directions. And wholesale and interconnection could also be an opportunity. So there're many things, and this just gets to the idea that when preparing for an upcoming rate application, or even for a budget and annual budget, we really need to look at what the circumstances are at the time, adjust our approach accordingly. We move on to the next page.

So here we looked at a few different scenarios. We looked at what if the capital program increased further? We just happened to model fiscal 24 and fiscal 25. In that result was the rate increase in July 2023. Even with all of the assumptions that we put into this target model would be over 7% and would be about $15 higher than the target scenario. And that the debt to capital ratio would be higher by about 1%. And there're multiple factors that can result in that circumstance. We also looked at targeting 10% increases starting in fiscal 2024. This was one of the scenarios that we modeled last year. You can see that what's in model versus the prior model, actually has more than a 10% increase in each of the years. A 10% increase year over year equates to more than just a $30 million, one time increase. And it could result in a rate that's about $25 higher in the last year than the target scenario.

We also, just for comparison, we wanted to see, again, trying to compare just letting the numbers come out as they may, without taking mitigating approaches. What if we modeled the same thing for the base case? And if you add $30 million to the base case, your debt capital ratio is actually 5% higher than the target scenario. And a similar result when you put a 10% increase in from fiscal 2024 and beyond. That results in the highest rate and the debt capital ratio is about 5% higher. If you move on to the next page, we also did a scenario so we can see what the impact was of the additional, getting to that 9.2 target in fiscal 2025. So scenario seven, you'll see the results of that in a minute. We excluded the new nonorganic growth. So it still included our estimate for well safe.

It still included the Roche transaction, but it didn't include any of the other work that we're doing to achieve that target. And that had a second lowest rate and a debt to capital ratio about 2% less than the base case. We actually went through multiple scenarios to build up to the target because we wanted to see what the impact of all our mitigating steps would be. So we first added, well, what if we do the interim financing? Then we looked at the result and we said, well, when we do that, we do have room to put that additional depreciation in our sort of one time opportunity to increase the depreciation when the pension gets a fully funded level. So we parted that. And then we said, "Well, what if we can get additional grants? What does that look like?". And so we made some assumptions about additional grants, ARPA money, and other subsidies that we could get.

And then we also put in a refinancing. So that is how we built up. We're not going to show you each of those scenarios, but it was a way to demonstrate, and demonstrate to ourselves what steps we can take and what the impacts are of those various steps to get to a more reasonable rate increases in average bill. So you can see in the next page, this shows the results of the seven different scenarios and how they vary. In scenario one, is actually the base case. Scenario two is the target.

And I do think that going through the scenarios, although none of the scenarios made it clear what happens in actuality, it definitely helps inform the [inaudible], with determining what recommendations and approaches should be as we see the different impacts. Again, the approach and recommendations really need to be based on what the circumstances are at the time. And you can incorporate multiple aspects of various scenarios, again, based on what's occurring at the time. And I think when we look at this and we talk about the various aspects and factors that go into the model, it really is about balancing the rate impact, the impact on our customer with a financial stability. And financial stability, really isn't just the debt and our leverage, but also the infrastructure investments that we need to make into our system. Move on to the next page.

So what are the next steps here? I believe the next steps are, we need to continue to focus and execute against our strategic plan. Take every opportunity to mitigate our debt service with grants refinancing and using alternative financing. We need to continue to work on enhancing our commercial revenues and profitability. Also, focusing on cash collections. And if we can do more wholesale arrangements, that would also be beneficial. Always looking to do prudent cost management, the process efficiencies and take innovative approaches. I think asset management is going to be a key factor that will come into play. And of course continue to evaluate both our O&M spending levels, as well as our capital spending levels. So things that will help drive this as well as the execution against our strategic plan, is we'll be continuing to watch our fiscal 2022 results. Believe it or not, we're just about ready to enter the fiscal 2023 budget process. So we'll be going through that bottoms up rigorous budget process, and then that will all help inform the next rate application, the July of 2023 application.

And as we've done in the past, we would be looking at how the information that's being put forward through the fiscal 2023 budget process, how it compares with our pending rate application. And our pending rate application for fiscal 2023, that's going to be critical because within that rate application, we already had to make an assumption about what our fiscal 23 capital will be and what our fiscal 2023 O&M is going to be. So we'll be watching that carefully. And then also how it compares to our model assumptions. And then also looking to incorporate and inform the fiscal 2023 budget process. The results of fiscal 22 into that fiscal 2023 budget process. And of course, continue to communicate with all the stakeholders and to do it in a transparent way. And with that, I'll stop, answer questions. I'm not going to get into the appendix unless you have particular questions.

David: All right. Thank you, Rochelle. Let's see who has questions or comments. That's easy, thank you.

Greg: Which [inaudible] is that? This is Greg. It was mentioned that the Whitney dam, the cost has doubled, is projected to double. What's the reason for that?

Rochelle: I think Ted can talk in more depth than I do. Before I turn it over to Ted, I do want to mention that, that increase in the Whitney dam was already reflected in our five year plan. That was recently approved, but it was not reflected in the last 10 year model.

Ted: And Greg, much of it has to do with what we found when we started to look into the existing dam and the lack of structure that it really has. It's loose rock held by two different concrete walls on either side. That was not found out until into the process we're into now. That significantly increases the cost of what is needed. And I think that the $20 million was, at that time, not a really good estimate. We didn't have the estimates that we have now, which are at the 45% design level. We have much more accurate estimates. That was based on preliminary estimates. But that number's a pretty good number. I think that's going to come in pretty close to that. We're still beginning work on an application.

Greg: And also, the draft continues to drop every year. Do you foresee any closures of any of our systems in the future?

Larry: You mean shutting down the system, Greg?

Greg: Yeah, a particular system.

Larry: No, because we will continue to have to serve the customers that are there. What that drop in the consumption dictates is that whenever we do a project, say building a water storage tank, we look at whether we need the size tank that we originally had planned for. And I think that, correct me if I'm wrong here, Ted. But I think the Derby tank, we originally planned on being a 2 million gallon tank, and we ended up making it just a million gallon tank. And that was because of that continuing drop in consumption. So as we evaluate capital projects, we look at what size they need to be in order to take into account that drop in consumption on an annual basis. But we'll have to continue to serve who we serve.

Tony: Corollary to Greg's question is, do you ever see a succession of the falling water usage?

Larry: Well, a few years ago, we had an engineering consulting firm come in who had conducted a study on water usage trends across the United States. And at that time, that was probably three, four years ago. They were predicting that this decline in consumption would probably continue for the next 7 to 10 years. We're coming up to the halfway point. So you're looking at probably the mid 2030s. Early to mid 2030s for this to continue to drop. Unless Connecticut takes off and more people start moving here, like they have been recently. But even year over year, we're continuing to see a drop overall.

Tony: This has been going on since 2000 or so, give or take a year?

Rochelle: Mm-hmm (affirmative)

Larry: Correct. In 2000, we produced 56 million gallons of water a day. And of course in the last fiscal year, I think it was around 41 and a half. So we're 15 million gallons a day less now, than what we were producing.

Larry: ... what we were producing.

Ted: One of the situations that we face is, regardless whether our draft is dropping ... and we're down in the 40s now ... we still have to produce enough water to meet maximum day demands, which is still ... those really haven't changed. They're up in the 80s, high 70s, and those are coming down, but not to the rate that ... the 1% per year. So unfortunately, our infrastructure still has to meet those needs.

Rochelle: And we also have to meet fire service needs, too.

Ted: That too, yeah.

Greg: Thank you.

David: That may open up the possibility ... and of course, we've talked about this, about fire rates maybe having to shoulder a little more of the burden than the residences if these designs have to be done. That is so much ... the more significant maximum use than we had, so that's an interesting side to that part. I have to say, the target case is obviously much better than the base case, partly because [inaudible] used the attempt to use expected reimbursements, expected grants, and other items that will help mitigate.

But I'm wondering if, in reality, you're probably a little bit conservative on that, because it doesn't include anything ... and I think we've talked about this one. I went over this the other day a little bit. We talked about the fact that we have asked, and our senators are supporting, and our congressional members are supporting some of the money that may allow us to [inaudible] Whitney Dam or some extensions up to the northern service territory. Those items are not in there, and there's a very real possibility that we may get something, since we have such significant backing, and the infrastructure plan is likely to pass through Congress and has significant funds for water usage.

So I like the fact that it's conservative, but I like the fact that there's also hope that if we were to get money for those projects ... and heck, our congressional member is the head of the appropriations Committee, so that ought to have some weight. We ought to be able to hope to get something out of that. And although she doesn't represent me up in the northern part of the territory, does represent the New Haven area, and this is a significant project, the dam. Whitney Dam has quite a significant effect in her territory. So the fact that the local senators have it on their category [inaudible] Connecticut, and she's [inaudible] her staff is on board with this.

We've got to make sure that we push that, and I applaud Larry and the team for working hard on reaching out to them. That's been a big push on that. It's almost every meeting he and I have, discussing that comes up like, well, we've done this, and we've done that. So he's really pushing on that, and I think maybe we ought to use our connections, as well, to make sure that something happens there, because that could go a long way towards mitigating what unfortunately is an increased expectation of debt at the end of the 10-year period. But maybe not. Maybe it won't happen if we do get those funds and a few other items get tightened up a little bit. We may actually end the 10 years without having an increase in debt, which would be very good. Any other questions or comments? I didn't mean to dominate there. I [inaudible] kept going. Sorry.

Catherine: I don't have a question, but I just want to say that this is really good work, and obviously, a lot went into the various scenarios. And I just want to compliment Larry, Rochelle, the whole team on putting this together. It's very helpful.

Rochelle: And Rob saw it, and he ran up the model, so thanks to everyone involved.

Catherine: The entire team.

David: Yeah.

Larry: Thank you.

Tony: There's a few people you want to leave out of that, Catherine, don't you?

Catherine: Oh, I don't know, Tony.

David: Other questions or comments? Otherwise, I guess what we're saying by consensus is that the target model is what we want, and not just because of the top line of the least rate, the least expensive for our rate payers, but also because it is one that has some realistic expectation of the revolving funds helping us out with the costs and some of the grants and potential ... even the grants from the Drinking Water Revolving Fund, you were only including, I think, 10% in the dam, and we've been getting a higher percentage on a lot of the projects, AMI we did, and some others.

So this may really be the worst-case scenario, if you will, yet still have the possibility of not having an increase in debt in 10 years, which would really be my goal. I may not be around in 10 years, but maybe none of us will, who knows, but I certainly hope that we all ... Rob will. He's young. He's been doing this forever. But we certainly hope that we'll have less debt and not more. All right, other questions or comments? Again, lots of work, very important. Thank you. This is one of the more important things we do. Are we going to share this in the form of a finance meeting with the RPB and invite others? Is that the process?

Larry: That's correct. We'll be sharing it with the finance committee, and I think maybe they might even plan on sharing it with Consumer Affairs, and then inviting any of the other committee members to attend whichever meeting they can.

David: Good. Okay. They have quite an overlap from Land Use and the other committees.

Larry: Yes.

David: So that encompasses [inaudible] most people with those two, so that's great. Good. All right, thank you, folks. Do we want to take a break before we get into the discussion on firming up our authority dates? We've been going for a while. All right, let's take a 10-minute break. See you all shortly.

Let's get [inaudible] We'll get back to order and Item F, the authority meeting date discussion. At our last meeting, Larry had asked that we consider moving from the third to the fourth Thursday. I think everybody said that that was not an issue, and it would help in management being allowed to get more timely reports and more thorough reports, especially the finances and things, it was something that he requested. And [Mario] ... we certainly want to keep in sync with the RPB, and Mario has gone to the committees that he's gone to, and he's asked them, and he seized support for the change from there, as well. So-

Tony: When are you talking about starting this, David?

David: Calendar year 2022, so January.

Tony: Oh, January. So instead of the 20th, we would meet on the 27th, for example?

David: Well, I assume you're right. I didn't pull it up. Let me pull up [inaudible]

Tony: Okay.

David: Correct. It would be the 27th-

Tony: Because I plan-

David: ... which is a very important date.

Tony: ... I plan all of my appointments and everything else around the third Thursday. Hello?

David: Yeah, I know-

Tony: All right, sorry.

David: Yeah.

Tony: So that creates a problem for me in February. That's it, just in February.

David: Just in February?

Tony: I can still meet remotely-

David: Sure.

Tony: ... in February, but it'll be from some ... really from some warm island where the breezes are going, and the beach has got ... instead of just my picture.

David: Well, when we go and vote at the November meeting, I think we're going to move the meeting location to wherever it is you give that address, and we'll all meet in person there, on your dime. But no, if you can meet remotely, I suspect we may still be meeting remotely, because with the winter comes the-

Tony: It's only that one month. The rest of the fourths are all good.

David: But in theory, in concept, it-

Tony: [crosstalk]

David: ... would be practical for all five members. Yeah, because I know January is somebody's birthday, and that would cause a problem, who was going to go away, but that person has already moved their trip, so we have other ... All right, so then we'll confirm to the RPB and to Mario that it does work for us, and I'll text him this afternoon so he can have that information for his discussion with the RPB this evening. But I think management presented a good case for that, and it sounds like that's what we're going to go forward with.

Tony: You ever noticed that management presents a good case for everything they want?

David: Well, you know, because they used to run it by you, Tony, first, because you were chairman for so long.

Tony: Yeah, but they don't do that anymore, David, and you're being much too lenient about it.

David: Well, anyway, let's move on to Item G, which is reports of RPB-

Tony: He's not going anywhere with that one.

Catherine: Wait, wait. David, don't I get a cake?

David: You know what? That would be nice. We'd have to remotely show it to you on the screen.

Tony: Okay, fine. When is your birthday?

Catherine: January 27th.

Tony: Oh, you're the [crosstalk]

David: I didn't say who it was. I was going to let you out, yourself. All right, so in October, Suzanne had the pleasure of going to the RPB Finance Committee meeting on the audit, so Suzanne, do you have any reports for us?

Suzanne: Sure, just that they did present the audit. Everyone was pleased that again, once again, that Rochelle and team and Larry included, provided the RWA with a clean audit, which is terrific. No issues reported, no significant questions asked. The ... what do you call it ... the OCA also commented about the repeated years of clean audits and also commented that it was a really important part of the management team's diligence in running a very clean shop. Then Rochelle reported on the financial reporting and analysis, the quarterly financial reports, and also reviewed the RPB dashboard. And there were several questions, nothing of any super significance, but the group seemed to be fully engaged and appreciative of the information.

David: Good. Well, thank you. And Catherine went to the pizza meeting. How did it go?

Catherine: I did. I attended the Policy Board's Land Use Committee meeting. It was pizza night. Saw Larry there [inaudible] is just terrific. He provided some information about the recreational facilities on Lake Saltonstall. That's where pizza night was, in case nobody knows that. I'm sure everybody does. His report's quite long, so I'm going to give you some highlights. If anyone has any questions, please ask me. On the recreational side, five kayaks were added to the flotilla at Lake Saltonstall. There's also a shed, boathouse, storage facility, whatever you want to call it, where the powerboat that is there for safety reasons is being stored so we don't have problems with it getting beaten up being transported back and forth over a rather bumpy road, Hosley Avenue. There was also ... he also raised a concern about an invasive species that were coming from a tributary, I think he said, and that there are efforts underway to try to prevent the invasion into the lake.

On the Land We Need for the Water We Use, there have been communications with property owners in Killingworth, Cheshire, and Madison, concerning an aggregate about a ... in excess of a hundred acres of land, that there was ... appraisals were authorized on two parcels of land in North Branford for open space land trust purchase. There was a discussion ... or the RWA had a discussion concerning Class 2 land with a member of the Guilford Sportsmen's Association. The rental houses in Hamden, the two, one on Skiff Street, and one on Ives, the legal work is still underway. The rental house on Johnson Road in Woodbridge has received plans for its work, and the Derby Avenue house in Orange also has plans for work that has to be done there.

The forestry side, well, good news: Christmas trees have been ordered for planting in the spring, and Christmas trees will go on sale the second week of December. This I found interesting: the RWA hosted and presented to the Yankee Society of American Foresters. More than 50 attendees were there from Massachusetts, Rhode Island, New York, and obviously Connecticut. The only real change in terms of forestry matters would be that the nation pond's slash wall harvest ... someone's going to have to explain to me what "slash wall harvest" is, but I'll deal with that later ... is about 75% complete. I already told you about the storage facility, [inaudible] for the recreation. The permit holders are up year-to-date from in August 2021, by about 300, but down slightly in September, by 27. There was an unusual number of permit requests in September for special activity permits, and I'm guessing that's probably due to better weather and more people coming out of COVID lockdown.

On other items that were under consideration, there were some updates concerning the progress for the agreement for the use of the Downs Road fields or the ... for clearing those. There was discussion about clearing fields of invasive plants, monitoring for spotted lanternfly, and harvesting water chestnuts from Furnace Pond. And there was a meeting with a girl scout who wants to place some bat boxes on RWA property.

There were three attachments, which I thought were interesting. There was an article from the Connecticut Public Radio concerning millions of gallons of untreated water entering rivers and streams due to Storm Ida. There was another article ... not sure why it was there ... from Illinois, but it was concerning deer-versus-car incidents during deer mating season. So when you guys are out there driving at night, be careful of the deer. And there was an excellent article from the Connecticut Post about PFAS contaminants in Connecticut communities, which I found kind of interesting because I saw a piece on one of my favorite news sources last week with John Oliver, where he did a piece on PFAS contamination. And if you want to know if there's PFAS in your neighborhood, you can go to ewg.org/PFAS map. And that is the end of my report.

David: Sorry, I was on mute. Thank you very much. And Kevin, did you go Monday to Consumer Affairs?

Kevin: I did, and it was a good discussion regarding the business continuity plan. There was several questions, and Steve Mongillo, who had actually, I think, attended the last tabletop exercise after we decided to open that up as an invitation to some RPB members, and so they just discussed the business continuity plan, both current exercises, future exercises, and the plan itself, and the work plan. And it was very well received, and they continue to do an excellent job.

David: Great. Thank you very much. All right, so we will move on to updates, Item H. Larry, you want to start with COVID, a brief update on that, or go into [crosstalk]

Larry: Yeah, thank you. I'll have Jeanine give an update on the COVID situation.

Jeanine: Okay. Thank you, Larry. So, no news is good news. We've had a good month. We did not ... this is the first month in ... I think since the beginning, we have had no ... zero confirmed cases since our last report. You know that, by this conversation same time last year, that we are conspiring to figure out how many of our employees are vaccinated. We recently mailed 74 letters to ... we mailed letters to 74 employees, requesting an update on their vaccination status. We have had about 186 vaccination cards. That was about 71% of our employees being vaccinated. We did receive 11 responses from those 74 letters. They do have until November 5th to reply. Six vaccination cards, and five people let us know that they were not currently vaccinated. That brings us up to a little bit ... almost at 74%. So we're hoping in the next couple weeks, we'll get a few more here, and it could tick us up a little bit higher.

And again, you may remember, this is all in anticipation of what those mandates that ... the Biden mandate about everybody who has an organization of 100 employees or more should mandate the vaccination. We're waiting for some OSHA guidance on that, and that's a little bit of a holdup. I would also anticipate there will many legal challenges to that, so I'm not sure where that will end. But anyway, we want to get ready and want to know how many of our team we will have to deal with in that regard. The Return-to-Work Committee has not met in the last month, at least. Again, no news is good news. There's been very little activity, so we don't need to meet.

Want to let you know we have an update on the customer care front. [Laura Gonzalez], who runs our customer care department under [Prem]'s guidance and leadership, will be returning a faction of their workers back on November 1, so I think that's ... is that next Monday? No, the following Monday. We have reconstructed the barriers in between the cubicles, in addition to those that have been just finalized and done. When we bring people back, it will be on a limited basis per jobs, and so they will not be sitting next to each other anyway. So we have a really good plan for a safe return to work for that group. In addition to, we're looking at the beginning of January to return other members of the team, so it's going to be a phased return in that regard.

Let's see, what else do I want to tell you? I think that's about it. Oh, just an update on the shots: letters did go out on 10/4. I understand from Prem that next week will be the soft return of some scheduled shots in the field. So it'll be interesting to see what becomes of that, but that is the COVID update. Any questions? Okay, thank you.

Larry: Thanks, Jeanine.

Jeanine: You're welcome.

Larry: I'll take few minutes to highlight some of the points in the board letter. First of all, on the commercial business front, Dennis Donovan is joining us today to discuss how we are advancing our acquisition targets through the pipeline with an environmental testing lab and a well services company, so we'll have more discussion on that in executive session, following my comments. We continue to have conversations with a national well services company and other acquisition targets across our identified markets that we're going to enter into, based on the enabling legislation. And we are continuing to partner with several commercial brokers to generate additional acquisition targets for us to take a look at. We are continuing discussions with towns, and Prem and Dennis have been meeting with towns to discuss partnering on PipeSafe to see if we can expand into their service territory on a partnership basis.

Secondly, I informed you in the letter that we are continuing our recruiting efforts for a Chief Financial Officer and a Vice President of Engineering and Environmental Services so Ted can finally retire. So we're making progress there. Third, through continuous efforts to pursue relevant grant-funding opportunities, we met with Senator Looney to discuss our particular situation of being excluded from ARPA funding, and to seek his support of having ARPA funds distributed through OPM or the legislature. And we are also continuing further actions on that regard. We met with the district chief of Representative Jahana Hayes this past week to discuss with her, again, our unique situation of being excluded from ARPA funding, and to ask that wording be included in any legislation that grants that kind of funding, moving forward.

On the municipal front, we're following up with North Branford after a successful meeting where they indicated that they might like to use some ARPA funding for some of their water projects, so there may or may not be a partnership opportunity there. And we are planning to meet again with Mayor Cassetti's staff to further discuss allocating a portion of Ansonia's ARPA funding to the RWA, and we've focused discussions of how the Ansonia Derby tank would benefit the town's water service and other benefits. Generally speaking, towns have not been very forthcoming in terms of sharing their ARPA funding, so we are considering going before the South Central Regional Council of Governments to make a formal presentation to all the town CEOs at the same time to reinforce the request for ARPA funding, and hopefully can secure some commitments. So that's under evaluation.

Also in the letter, I let you know that RWA acquired 4.1 acres at no cost from a private property owner in Killingworth. The property is located within the Lake Hammonasset watershed and abuts about 55 acres that the RWA owns or holds easements. And that acquisition [inaudible] with our Land We Need for the Water We Use program that was adopted in 2007, where we sell property that is not needed for public water supply protection purposes, and buy land on the watershed to protect water quality.

I also reported that today is Imagine a Day Without Water, and it's a national event sponsored by the American Water Works Association and its Value of Water campaign. So this national observance day is a day for citizens to pause and reflect on the way that water systems and their employees positively impact lives and communities. So to mark this day, I sent a special message this morning to our employees, and we also ran a half-page color ad in the New Haven Register in Connecticut Post, reminding consumers that water is the lifeline of their communities, and RWA is continuously investing in infrastructure to benefit the region. And both items were included as addendums to this month's board report.

And finally, I let you know that the Greater New Haven Chamber of Commerce was recently honored by the International Economic Development Council for its Small Business Resource Center, which the RWA helped to create. And that center was established to address the needs of the region and support the business community. And we're certainly proud to be affiliated with that resource center and the national [inaudible]. So that's highlights from my letter. I would be glad to take any questions before we go into executive session.

David: Anyone have any questions on those items? All right. All right, so then we're ready to go into executive session to discuss negotiations, inviting the senior executive team members, as well as Jennifer and Dennis.

Larry: And we need to excuse Greg for this discussion.

Greg: Yeah. Okay, I'm leaving now.

David: Oh, sorry. Thank you, Greg. We'll see you in a little while.

Greg: Thank you, yeah.

David: All right.

Greg: Wait, I'm still on. Hold on.

David: That's okay. We have to get a motion moved first, and then approved, so we'll-

Tony: Move.

David: Move by Tony, seconded by ...?

Kevin: Second.

Suzanne: Me. [crosstalk]

David: [crosstalk] I also heard Suzanne, okay, her voice. All right, all those in favor, signify by saying "aye."

Group: Aye.

David: Passed as unanimous.

[EXECUTIVE SESSION FROM 3:03 P.M. TO 3:25 P.M.]

David: All right, regular ... Now the executive session has ... we've come out of executive session. We are completing our Item H updates from our CEO, and I believe we've had our last update, Larry, so I think we are ready to adjourn, unless there's something in an update that somebody wants to ask while it's germane.

Larry: No, there's nothing more from management at this point.

David: All right. Well, who wants to make the motion?

Suzanne: I make a motion to adjourn.

Catherine: I make a motion.

Suzanne: I second.

David: Catherine's up top, so Catherine first, Suzanne second. All those in favor of adjourning, signify by saying "aye."

Group: Aye.

David: Aye. All right, unanimous. We will meet back in three hours, and the RPB has on their agenda the rate case adjudication, so we'll keep our fingers crossed.