Representative Policy Board
South Central Connecticut Regional Water District
Consumer Affairs Committee

November 15, 2021
Meeting Transcription

Chairman Mongillo called the meeting to order at 5:40 p.m. He reviewed the Safety Moment distributed to members.

[Beginning of transcription was not audible]

Larry: ...Future rate increases, which again was not shown in the base case model. And with that, I'll turn it over to Rochelle to walk through the two cases and then she'll touch on some alternative scenarios very briefly.

Rochelle: Thank you, Larry. And Jennifer, if you can go to...Yes, this page. So this is our base case model and as it relates to some of the key assumptions. So in this model, we have the rate stabilization fund at 10 million. That's the target. And so what we've modeled here consistent with prior years is we do have that every year we are throwing off enough internally generated funds to reimburse the rate stabilization fund back to 10 million, even in a year that we do have draws. The general fund is at 11.6 million, and that is consistent from fiscal actually 23 through the end of the model. We have left coverage at 114%. The growth fund in the base case model is funding the commercial billing capital project as it had done in this current year and the prior current year, in the prior fiscal year. Revenue, we've kept our 1% year over year consumption decline reflected. And then as far as commercial revenues.

We are reflecting the existing programs and offers. That would be the organic group in the base case. We have incorporated our July transaction that we did as well as the best estimate for Well Safe. The July transaction in Well Safe, and I'll get into this in a little bit more detail a bit later, we have the net income from that going into the construction fund and I'll explain that a little bit more later on. The financing, we do have multiple DWSRF projects reflected. We have all our existing DWSRF financing, and debt service reflected as well as a number of additional projects with an estimate of the grant component. As Larry mentioned, we have updated our capital improvement plan, a little bit more to come in a few minutes. And the rate applications we are assuming consistent with prior modeling that a rate application will be every 18 months. From the expense perspective, for many of the expense categories, we use a CBO projections that were published in July of 2021.

The actual are a bit higher now. Exceptions to that include the pension fund. So in this base case as well as in the target, we have the pension fund, the pension plans reaching fully funded at the end of fiscal 25. That's fully funded with the exception of the annual service cost. Medical, what we're using for our medical projection is we're assuming what the actuary had used for year over year medical cost changes in their last report to us, which was for the end of fiscal 2021. And they project that out.

For [inaudible] we are incorporating in the base case consistent with prior modeling, an increase in the year that the pension reaches fully funded, a moderate increase, and then using the medical projections thereafter. And in the base case, we are keeping depreciation at a million dollars in each rate application. You'll see in the target, we did modify that a bit. Moving on to the next page. So you can see over the 10 years that good news is that the price per gallon still does remain about a penny over the 10 year planning horizon. There is an increase in capital expenditures that are impacting the rates themselves and the level of projected rate increases.

I do want to mention that what we did here, as Larry mentioned, just providing a little bit more detail, we took all the inputs and made the changes I just mentioned and then we ran it through the model. And when we look at the results, we said this probably is not going to be acceptable from a couple perspectives. One, you can see that the rate increase in the next case, which would be if approved would be effective July 1, 2023 is higher than we would have liked. It's basically 8% for water. A little bit over 8%. But then you'll also notice that the next case here, which is the rate application, where we would reach fully funded from the pension, it sort of, it drops. So it's not really very smooth. And we, then we have other [kinks]. So again, in this base case, we notice that, and then you'll see, as we talk about the target, how we need some adjustments to both smooth things out, as well as to overall lower the rating increases.

We go to the next page. This is where you could see in this base case, what's really driving the various rate increases. So the bar showed the makeup. So again, you can see in the July of 2023 case, which would be the effective date of our next case, not the one that was recently approved. You can see that the biggest bar is debt service and that's being driven by capital. And then the next biggest bar is O&M. You can also see, as I alluded to just a bit ago, that in January of 2025, you could see the bar is a lot shorter and O&M is very small. And then across the other years, that service for the most part stays about the same and depreciation is pretty flat. Again, that's at the 1 million. And [pilot] is pretty constant as well.

And again the pie chart over to, I believe it's on your right, you can see in dollar amounts what the big drivers are. And again, the biggest drivers in the July of 2023 case would be debt service, as well O&M. So what are, if you go to the next page, Jennifer? So there was quite a bit of work that went into the update of the capital plan. Consistent with the last update to the model, which it was a very bottoms up cross-functional team that worked through this. So a thorough update, this year's model did incorporate in the capital prioritization the risk resiliency and redundancy that we talked about last year. Projects were actually ranked within their individual categories. So what that means for example, is technology projects were ranked against technology projects, natural resources were ranked against natural resources.

The annual programs were not ranked because annual programs are just what the wording suggests, they do need to continue. As Larry mentioned, this particular plan had a significant increase and we're including fiscal 2032 within the model, because that capital is driving the last rate application that's within the 10 years which would be the application that would be effective in our fiscal 2031. So the total within that period is 570 million versus last year's model at 426. I think Larry pretty much covered what the key drivers are the lead and copper rule compliance, Whitney dam, higher estimates for our major water treatment projects. We did also incorporate known increases and that includes known increases associated with the Derby tank project, as well as the west river water treatment improvement project. The CIS replacement was both in the last year's model, as well as in this year's model, but the timing in this year's model is a bit different.

And also the capital does reflect treatment projects for future regulatory compliance. So an example of that would be like stream flow. If you go to the next page, Jennifer, so also consistent with what we shared last year, we are expecting to continue to have more [RPB] projects, larger projects that meet several objectives. Also, because the projects are larger. They're going to have larger dollars, larger contingency from a dollar perspective, but we still do believe that this does result in capital efficiencies, including bundling the project administration, the coordination. So this is consistent with what we discussed last year. What you could see in both of the pies, ones in percent and ones in dollars, what the makeup is by our, what I'll call our traditional categories. And you can see that transmission and pumping is the highest percent and the highest dollars.

And this is primarily because we did build in an estimate, which is very much an estimate for the lead and copper rule in this particular modeling. So that was a key driver and after resources is also a bit higher than usual, probably more than a bit. And that's because the Whitney dam is in this 10 year model at the approximately 40 million, and there's also two other dam projects that are also included. Moving on to the next page. So what does this mean from a key thing that we look at? One of the key ratios is what's this doing to our leverage? Leverage here is described simply as our debt to capital ratio. And what you can to say here is on the debt rate, the capital to debt ratio is still improving over the 10 years, going from about 82 and a half, which is our estimate for fiscal 22 down to 76.6. The exact ratio will be dependent on the mix of assets.

So if you have longer lived assets, they're going to have a lower depreciation it's going to versus technology assets, for example, that have a shorter life. So the actual mix will impact what that overall capital, debt to capital ratio will be. The net utility plan still is more than outstanding debt and that's why you see still a decline in the debt capital ratio. Debts do exceed the principal payments and we are projecting in absolute dollars in this base case model that the absolute dollar amount of our outstanding debt is actually going to increase from our projection of 568 million in fiscal 22 to 666 million. And again, that is very much driven by the capital program that was incorporated into this year's modeling also from a good news perspective, we are still generating, even in this base case, pretty significant internally generate funds. We'd be generating about 186 million over the 10 year planning horizon.

So are there any questions before I get into the target model? So in this target model, we made multiple changes. The race stabilization fund is still at 10 million. General fund is still at 11.6. In coverage, we did leave at 114%. That's consistent with recent modeling where we think the coverage should remain the same and we think that adjusting depreciation is actually a better lever than changing our coverage ratio. The growth fund in the, in this target is not only funding the commercial billing capital project, it's also funding nonorganic growth, because we did build in some nonorganic growth into this target. And I should mention that to achieve the net income that was incorporated into this target model, there is a potential, actually a high potential that we will need to use subordinates debt at the subsidiary level to fund that commercial growth that we built in. The revenue, still the 1% year over year decline as far as water revenues.

The commercial net revenue does meet the 9.2 million target in fiscal 2025. And the net income from nonorganic growth is transferred into the construction fund, so the modeling does not have the revenues coming in through sort of the revenue line from our rate making perspective. It has the monies as we talked about actually going into the construction fund, so it is being used to mitigate our debt financing and to reduce the leverage. Again, this is from under our general. Bond resolution is how we model this. It would be different from our audited financials. But we are incorporating that we believe that the best use of the monies coming in from the commercial side is to transfer those monies in to the construction fund. We also made many adjustments to the financing assumptions. The first key assumption that we made is because in the 10 year capital program, in addition to it being in a higher level generally than the last 10 years, the first couple years are higher than the other years, and that's primarily due to the Whitney dam and some of our other larger pro projects.

So what we're assuming is we're assuming that sort of to smooth things out and to pull the levers that we have at our disposal, we are assuming that we are going to use interim financing to mitigate the impact of that higher capital in the next rate application. So when we use interim financing, it's actually not in rates. And then what we'll do, which we've modeled is we will take that interim financing and we'll roll it into interim subordinate financing, and we'll roll it in to the subsequent case. So not the July of 2023 case, but the one following that, and that helped smooth out the percentage rate increase and smooths out the rate impact. We also did get a little more aggressive in our assumptions regarding grants and subsidies. So in this target model, we did assume that we would be successful in getting some monies from municipalities or the states relative to the American Rescue Plan act.

So we put in a small amount of that. We also assumed that 25% of the capital that we put in for the lead and copper rule compliance will be, that will have subsidies for. I will share that since the time that we did the model, if anything, I think that the total dollar amount will actually be higher, but we're also hoping that the subsidy amounts that we'll be able to get will also be higher. So that was just an assumption, 25%. And we also assumed that one of our projects for the three projects that we submitted for through Senator [Murphy's] office for directed spending, that we would get one of them. The good news in that is we did very recently get a communication that said our highest priority project of the three that we submitted is moving forward. It will be incorporated into an appropriations bill.

So we don't know if that bill yet is approved, but we have progressed to the next step, which is a good thing. We also included an estimate of refinancing. As far as the expense assumptions, most of the expense assumptions were the same. We used again, the CBO information for the pension, medical, and [inaudible] basically the same assumptions there. One change though that we did make in the target, and we had talked about this in prior model presentations, when the pension gets to that fully funded level and O&M is favorably impacted by that, it is a somewhat of a one time opportunity to increase depreciation and to use that opportunity to...By increasing depreciation, we'll be able to generate more internal funds and we will make more headway to getting the depreciation that's in rates closer to our actual book depreciation. So in this target, it is our recommendation that we would use that opportunity to increase depreciation, so we modeled in the January 2025 piece that we would raise depreciation to 1.5 million, but we'd also put 1.5 million in the July of 2026 spaces.

If you go to the next page, so what did all this do? Well over the 10 years, we are still at approximately a penny. The overall increases on a percent basis are all less than 7% except for fiscal 2028. And I have to say, honestly, we didn't spend a lot of time on the very outer years because we definitely have time to work through working to get that January 2nd of 2028 case at something at 7%-ish. The, this target model. And we did look at multiple other scenarios, did result in the lowest rates, not just at the end, but throughout the whole 10 years. And I do want to mention that. So you'll see later on in the presentation that we compared the rates at the 10th year, but the customer impact is really more than that because the rates are, in this target model versus the base, the rates are lower throughout the whole 10 year planning horizon.

Another key thing that I definitely want to mention is that the approach and the levers that we actually pull really do need to be based on the then current circumstances. So for example, if O&M perhaps is lower than we might have expected in the modeling, maybe we bring depreciation to 2 million when the pension gets to fully funded. On the interim financing, we modeled based on the particular years within this capital plan, but maybe the interim financing is more or less than what we built in. And for all the levers I think we really need to look at, as we enter each of the upcoming rate applications, what's appropriate based on what we're seeing at that particular time.

Moving on to the next page, so this is basically the same slide that you saw earlier, except it's based on the target. And you can see that the bar for 2023 looks pretty different. That sort of reddish part of the bar is still high, but a lot lower than it was earlier on. And that is because of the assumption of using interim financing. You could see that the January 2025 bar is about comparable to the July 2023. And that is because what we've done here is we've sort of smoothed out the rate impact between those two rate increases, so by using interim financing, we've taken it out so to speak of the July of 2023 case, but we've ruled it into the January of 2025 case and we've done that because we have room to do that when the pension gets to that lower level, that pension contribution.

And the other bars look relatively the same, although at a lower level than in the base case. And then you can see the impact on the July 2023 in the pie chart, because you can see that the debt service in the base was over 5 million and now it's under 3 million and that's really a key change that we made.

So if you go to the next page, so what does that do from our leverage that we look at closely? So you can see that at the end of the 10 years, debt to capital ratio is actually down by 3, about 3 and a half percent. It goes down to 73.1%. So still high, but an improvement. Again, similar concept, the actual ratio will be based on actual asset mix. The net utility plant increases by more than the outstanding debt. And that's why even with absolute increase in debt, your leverage is still going down because plant is going up pretty significantly. The debt additions exceed the principle payments. However, the outstanding debt is considerably low than it was in the base case. It's actually lowered by about 34 million. A key driver of that is that internally generated funds in this model are 211 million, but there is also about $34 million of transfers into the construction fund over the 10 year planning horizon.

So that's the target. There are always opportunities and vulnerabilities that we the can actually, most of these can go either way. So from a capital expenditure and financing perspective, regulatory requirements. So the lead and copper rule is a great example. That's very much a placeholder. The amount could be higher or lower. It probably will be higher, but as I mentioned, hopefully there'll also be more grant financing. We've all seen, especially recently, impacts of supply chain and pricing. So we have seen that and I mentioned earlier the west river improvement project was impacted by that as well as the Derby tank. DWSRF, the availability of DWSRF financing and the amount of grants can be higher or lower based on the infrastructure bill that was recently passed. We are hoping based on what's in the bill, that there will be more funding available through DWSRF.

The interest rate environment. So if the interest rate environment is lower than what we estimated and in the modeling, we do get estimates from [Acacia], the firm that we work with on our financing. But if those interest rates go lower, it will have an impact on the cost of our new debt. Although it will all also have an impact on our interest income. Refinancing can possibly be better than what we have modeled, and we are continuing to look at different types of refinancing. Based on the current laws that are in effect, we cannot to tax exempt advanced refunding any longer. We have done taxable advance. We're looking at that. We're also most probably going to avail ourself of a forward delivery based actually coming up relatively soon. And that's where you're very close to the call date. And you can lock in our rate basically in advance.

And then as we sort of ride the yield curve, there can just be refinancing opportunities based on that. We are definitely focused on brand opportunities. That would be very helpful. And if they're more or less than what we've modeled here, that will definitely impact the financial picture as well as our assumptions regarding the American Rescue Plan act and any monies that we might get from that. We did not specifically model WIFIA, but we have filed a letter of interest for the Whitney dam and we'll definitely be looking at what the best mix is between WIFIA and DWSRF. You can definitely combine them together. WIFIA does not have grants, but it is based on how they calculate the interest rate. Based on the current dynamics, it would actually have a lower interest rate than even DWSRF. So we definitely will be looking at that.

And we did very recently get a response to our letter of interest, and we have been invited now to complete an actual application. So we've been selected to go forward. From operating expenses, across multiple categories there can be various opportunities and vulnerabilities. Again, as I mentioned earlier, for most of those expenses, we use CBO projections. And then from a revenue perspective, the conversion of monthly billing, we are anticipating, although we'll have to see how the patterns go as far as how quickly or more quickly we get our billings converted to cash, but that is an opportunity. The commercial net income growth and its timing, that could be both a vulnerability as well as an opportunity. The reason that we included timing here is it's not just about the actual dollar amount, it's about the timing of when we're transferring those monies into the construction fund, because that can impact what's available for each subsequent rate application.

The percent of billing collected, we kept the percent in this modeling consistent with what we do from a budget perspective, but that's something that could be higher or lower. The build consumption itself, again, as I mentioned, we use 1% year over year define, it could be higher or lower, and weather also plays into that. And then with wholesale and wholesale interconnections is an opportunity, primarily an opportunity. But again, these are all different things that could impact our modeling, what can impact our budgeting, what can impact our rate application, and that's why I do think it's an important that we really need to look at the then current circumstances to determine what's best from a financial stability perspective, as well as from a consumer perspective. Some additional scenarios that we looked at, we looked at well, what if we had a $13 million one-time increase in capital expenditures, let's say in the fiscal 24 and 25 timeframe? That result was that the rate increase, even in the target scenario would be over 7%.

It's about $15 higher than the target scenario without this additional capital increase and our debt to capital ratio would be higher by about 1%. We also look at well, what if we have a 10% increase actually in every year, starting in fiscal 2024? And that rate in the final year is about $25 higher. And then the debt to capital ratio all about 1% higher. But then we said, well, what if we do the same thing for the base case? And so in the base case, a $30 million capital increase ends up resulting in the second highest rate and a debt to capital ratio that's about 5% higher than the target scenario, that's about like 78%. And about the same impact looking at a 10% increase.

And I think we were, we tended to be more focused on capital based on this more recent bottoms up and of what we're projecting for capital. We know that there's aging infrastructure. We know there's in particular, some regulatory compliance. So we did a lot of modeling regarding the capital plan. Another scenario that we did look at...It's on the next page, Jennifer. We looked at the target scenario, but excluding the new nonorganic growth, and that did still include the July transaction and the estimated Well Safe net revenue. This did result in the second lowest rate and a debt to capital ratio about 2% lower than the base. And what we actually ended up doing here, we sort of built up to the target by looking, by layering in different levers that we could pull. So the first lever was, well, we added the interim financing.

Then we said, well, we need to do more. We did feel, as I mentioned earlier, we should increase depreciation with that one time opportunity when the pension contribution is significantly reduced. So we did put the 1.5 million in for each of those rate applications. And then we said, well, let's get a little more aggressive with what we're assuming for additional brands to further reduce debt service and then let's even layer in something that we don't ordinarily do but we have done historically, which is reflecting refinancing. So we built, we did it in layers so we could see what the impacts are and what the impact of all these various approaches would be on the financials and on the customer from our rate impact perspective.

We go to the next page. So this is in the 10th year of the model and you can see what the rates, as they have been in the past, are still sort of close together. But as I mentioned, this is just in the 10th year. And for example, just if you compare the base case to the target case, it's not just in the 10th year, that's lower, it's lower in all the years. So, there is an impact and sort of looking at all this and working through the different scenarios I can mention, we could have probably run, and Rob who works with me on this in particular, we could have run like multiple scenarios and tweaked them and said, let's look at this, let's look at it another way, but you can sort of get the general range and the levers that you can pull.

And I think looking at the different scenarios does help inform decisions and recommendations. Definitely modify the approach and the recommendations based on the then current circumstances. We could also sort of mix and match. So you can adopt different assets from the alternative scenarios. And again, it's really balancing the rate impact in particular with the financial stability of the RWA.

So what does all this mean for next steps? I think we will continue to focus on execution of our strategic plan. That includes mitigating debt service with grants, pursuing refinancing, pursuing and using when it makes sense alternative financing, definitely revenue enhancement with the commercial initiatives, but also cash collection, and also wholesale, continued recruiting cost management, process efficiencies and innovative approaches. Asset management is key. And of course continue to evaluate both our O&M as well as our capital spending levels. We are now just beginning to kick off our fiscal 2023 budget process for both the operating budget and capital budget. So what does this mean? We will monitor what's rolling in from that fiscal 2023 budget. We'll compare it to what our assumptions were in this model. Also very much keeping in mind that fiscal 23 is actually part of our pending rate application. So we're going to have to pay a particular attention to what's rolling in from a capital perspective, what the O&M is that's coming in from sort of a bottoms-up budget process and compare it to what was in our rate application and what we've been modeling, and also compare it to other model assumptions.

And then also incorporate fiscal 2022 results into our thinking for fiscal 2023 and what that budget should look like. And also very importantly, continue to communicate with all our stakeholders. I'm not going to get into the details of the, all the sensitivity tables that are in the appendix, unless there's any particular questions. And that really concludes the presentation part of the 10 year model and open it up for any additional questions that you might have.

Mark: I have a question.

Rochelle: Yes?

Mark: What happens to this whole model thing...I'm not a big financial guy, so you'll have to explain it to me like I'm a six year old or something. But what happens to this whole thing, if like your press conference the other day said that we're putting in for our dam which you said, it's now up to 40 million and we're putting in for our pipe structure, which now you say is up to 80 million, we don't really know the cost of those things. But what happens if those things come through what happens to this financial plan?

Rochelle: So actually, so the Whitney dam is part of this modeling as is the getting drinking water state revolving fund monies for the dam. The positive, possible additional positive impact, which would favorably impact debt service and favorably impact our leverage is getting more grant money. So we did assume some grant money, either for the dam because it's drinking water state revolving fund. If we get some additional grant money that would have a favorable impact if we get-

Mark: Some of it was loans, I thought I saw? And the other one, and some of it's grants to get this stuff done. I mean, it's got to be low interest loans. So, I mean, it's got 50-50 grant to loan or something because...

Rochelle: So what we modeled is, in the model, it's more consistent with what we've seen and our grants have historically ranged on the low side at about like 8% of the project to a high of about 18%. But if we got like a 25% grant, let's say for the dam, instead of what we've assumed, that would definitely have a favorable impact. You can assume that 1% savings in debt service, which equates to about 15 million is-

Mark: I mean, where would...We'll talk about these grants. Where would these grants come from?

Rochelle: So we are anticipating that DWSRF and DPH is going to more grant money as well as more loan money.

Mark: Oh, from what just they signed today, is that what different they signed?

Rochelle: Yeah. So in the infrastructure bill quite a bit went to DWSRF funding that was by far, in the water section of that infrastructure bill, it was by far the predominant beneficiary. And we can participate in that. So we're hoping that there will be a higher percent of grants.

Mark: And how about the loans? Wouldn't the loans be cheaper than anything else we can borrow?

Rochelle: Yeah, the loans are, but we already, we assume that the dam was DWSRF funding already, both in this base case and the target based on our conversations that we've had with them. DPH, Tim and I have had a few conversations with them and it looks like they will, very high probability that even without the infrastructure bill would've given us DWSRF funding for the dam.

Mark: Like full funding?

Rochelle: Actually DWSRF, not quite full funding, but the by far the largest percent of the project, because with DWSRF we have gotten like a hundred percent of our construction dollars for the projects that we've put forward. And they also, we get a lower cost financing also for all our reserve funds.

Mark: Okay. So now we got the dam. What about the funding for the pipes? Is any of that coming from-

Rochelle: So, yes, we are expecting that the monies that went to DWSRF will be available for compliance with the lead and copper rule. It's not, again, clear how much is going to be grants and how much is going to be loans. Based on our conversations so far, we could get-

Mark: You keep telling me about the DW whatever that is. What about the infrastructure bill they signed today?

Rochelle: That, most of that money, Mark is going to drinking water state revolving fund. That's where the money is going. If you look at-

Mark: It's going to go into the DW whatever it is you just said? Okay.

Rochelle: By far. There's some other things-

Mark: Then they're going to put it out?

Rochelle: Yes.

Mark: That's a federal agency. That's what you're saying. Okay. I just wanted to understand. So conceivably, we could be in really good shape and this 10 year plan you put together here really would just like fall apart because we're in really better shape.

Rochelle: Well, keep in mind, we've already assumed some of it. So we've already assumed some level of grants. We've assumed-

Mark: Yeah, but not much. You haven't assumed that much. 25%, when I'm hearing it's going to, it sounds like they're going to fund the whole thing sometime.

Rochelle: I don't think that will be grants. I think on the lead and copper rule, if the time that we get this model, we actually put 50 million in the model in 25% grants. We do now think that number is probably low for 50 million. I think it's probably, it's definitely higher than that based on the latest information, but-

Mark: [crosstalk]

The loan from DWS, is that what you're saying? The loan would come from them?

Rochelle: Hopefully a low-end grant would come from them. So we model like a 25% grant, but we did that on an assumption of about 50 million. So if it's like 80 million, then that would be a negative but if we get more than 25% grant money that could help offset the higher expenditure.

Mark: Well, how does that look? Does it look good for us? I mean, yesterday with your big show of the money coming and all that, it looked like this thing was going to be a home run for us.

Rochelle: I think it definitely with DWSRF getting additional monies, it will be hopeful because we know we could participate and the more grants that they have versus loans, the better. We don't know the exact split yet, but we're hoping the grant component will be higher than what we've seen in the past.

Mark: Are we the only water company that is able to get this money as versus the water companies that are profitable, for profit?

Rochelle: MDC also gets DWSRF money. I don't think the privates participate. So, but MDC does participate in DWSRF.

Mark: Well see, so that's pretty good. So we're hoping for this to be turned into a home-run, right? I guess we don't need to ask the towns for money anymore?

Rochelle: Well, we built some of that in too, so we built a small amount.

Mark: I have got a feeling you're not going to get much of that. In fact, maybe the towns might ask you for money back. Is that a possibility? What do you think? What if we gave each town like 1% or 2%, something like that?

Rochelle: We're passing it on to the rate payers in lower rates.

Mark: Okay. You know what I was trying to say. Okay. Thank you you very much.

Rochelle: Tim, do you want to comment?

Tim: I think you covered it Rochelle.

Mark: She did. She certainly did.

Tim: Except the money going back to the municipalities. I don't think that's going to happen, Mark.

Mark: Okay. Well she said it's going to go back in the rate payers. The rate payers.

Tim: Right.

Mark: That's right and that was a good answer. I like that. All right. Thank you very much.

Stephen: Do you have questions from other consumer affairs members or any other members of the RPB that joined us?

Frank: Sorry, I have a question. That infrastructure, now does that apply to, I saw roads and it was said bridges, dams too. That's for dams and wells, too? And piping?

Rochelle: So in the bill itself, there's what we've seen is there is money that's going to DWSRF and that is the biggest amount of money in the water section of that bill. We don't have any specifics and I don't think it was to my knowledge, it's not in the text of the bill how that's going to break out.

Mark: Okay. Thank you, Rochelle. You did a great job.

Stephen: Any other questions?

Rochelle, I have a couple of comments. First of all, great job on the model. I appreciate the...It's very comprehensive and I'm sure it took a lot of work, but in essence it is a model of what you expect to spend and how you're going to do it. And what I hear is all these increased costs and financial challenges coming down the pike, I didn't hear anything about pushback on any of them, and I don't know the reason for accepting any of those huge increases. Now I'm sure you addressed that and done that, but as far as the RPB is concerned, it just looks, we see these things individually. They all make sense, individually. But who's looking at the big picture here? What is the company facing? What are these challenges? And even though it seems like a dam might have to be repaired, has anybody's thought about what else can we do? I mean, or what has to be done? Because we're looking at IT now, expanding the financial challenge there, other parts of the company.

How much can we absorb and what do we have to do to change as an organization overall to address these things?

Rochelle: Well, I think that's what we try to show even by saying like here's the base case and I will say that there was a lot of effort that went into this capital plan and a lot of discussion. There're certain things we pretty much know. The dam project and what it's going to cost. We did have some price increases for some of the projects, but sort of to your point, Steve, we said, well, this is going to cause rate pressure so what levers can we pull? So one of the levers is utilizing like the interim financing levers that we can pull is being very aggressive with trying to find grants and pursuing the grants, working with municipalities, but we didn't put anything into the capital plan that we thought was like frivolous.

And I think we're not the...Water infrastructure is aging and we need to, we don't want to defer maintenance, because that has other challenges. And the other thing that we did put in that we are pursuing on the commercials side, we're really pursuing that to put that money back into the utility to mitigate rates. And that's really the reason that we're doing that. And that's another key initiative, but it's really all about the utility and the rate payers.

Stephen: No, I understand and I think you do a good job at that, but whose job is it to kind of look at overall in the leadership team, some of these things in terms of direction challenges, and there's several disruptive technologies that are coming along. I saw an article about companies putting systems in to reuse water on site. There are panels now that can produce some water out of the air. So, the assumption is you're still going to sell water, but that could change. Technology could change.

Rochelle: Yeah.

Stephen: So doing the things that we're doing, do they make sense in terms of those challenges?

I don't know. I'm really uncomfortable with the future in terms of what's being, what the company's facing, what consumers are facing, what changes are happening in this area. We've been stable for a very long time, but it's obviously more dynamic now.

Larry: Steve, that's...To your point about who's looking at this, looking out into the future is part of our strategic planning process that we do on an annual basis and last year, when we put together the fiscal 22 strategic plan, we had a blue sky session where we looked out 20 plus years and talked about the different trends that we were seeing, reduced water consumption, for instance, rising prices and a lot of other issues, and put strategies within the five year strategic plan to address some of those. So we, as a leadership team, when we get together for the strategic planning process, take a look at those issues and determine how we can mitigate those at the time and the strategies that we can use.

Stephen: Okay, thank-

Rochelle: And we do push back on capital and O&M. There's actually a lot of discussions at the leadership team level.

Stephen: Yeah, maybe it's a subject of another meeting, I don't know. I mean, we could look at the prioritization matrix maybe sometime. Get a little better explanation of some of those projects, what the decisions are that go into make making one or the other more important. And timing, I guess. I just, for a while, have been sitting going through these projects one at a time. We keep approving them, but they just keep coming. So I don't know.

Larry: That's the nature of the water business, Steve. Just like the wastewater business. It's really an infrastructure business and its aging. That's the problem is that things are aging out and needing replacement.

Stephen: Yeah, I appreciate that. But thank you, Rochelle. Very good presentation. Good job on that.

Rochelle: Thank you. And thank you, [inaudible] for helping prepare the model.

Stephen: Yeah, I appreciate you coming to our committee.

Mark: Great presentation, Rochelle.

Rochelle: Thank you.

Stephen: Are there any other questions for Rochelle?

Thanks again. And we'll move on with the agenda. Our second item is the approval of the minutes of the October meeting. Do I have a motion?

Frank: I make a motion, Steve. Frank.

Stephen: Thanks, Frank. Second?

Mark: Do we have a quorum?

Stephen: Yes.

Mark: Okay.

Stephen: Naomi's on, too.

Naomi: I second it.

Stephen: Thanks, Naomi. Are there any corrections, omissions and changes at all? I'm hearing none. All those in favor.

Group: Aye.

Stephen: Any opposed? Any abstentions? It is carried unanimously. Thank you. We're onto a report of the OCA. Jeff?

Jeff: Thank you, Steve. No consumer issues pending. Pretty quiet with the OCA. I will make one comment based on the questions that you were asking, Steve. Certainly when I look at individual issuance test rate applications, when I participate in the annual budget meetings between land use finance and consumer affairs, and quite frankly, when I look at applications, I try to look at the overall picture and where an individual application or an individual issuance test rate application fits in long term plan. And I also pay a lot of attention to the periodic outside evaluations and reviews of the capital program that the authority procures to try to find the right size of the capital program, as well as obviously the applications that we see, there's business case analyses of those individual applications.

But on the, to the best of my ability, which you guys approve my bills, so you see that I'm spending like 10 hours a month or whatever it is. So to the extent that somebody that spends this small amount of time that I spend on water authority business can keep an eye on where things fit in the overall picture, I try to do that and I try to reflect on that when I write my memos to the RPB about the issuance test rate applications. So I get what you're saying and it's something that I certainly have in my mind when I'm reviewing the items that come to me and when I get the opportunity to write memos and testify to the RPB.

Stephen: Thank you.

Jeff: Sure. And I'm glad we have no issues at the moment.

Stephen: Terrific. No consumer issues.

Jeff: No.

Stephen: Great. Okay. Item 5 is approval of Jeff's invoice for $1,200. I have a motion?

Frank: I make a motion to approve.

Stephen: Thanks, Frank.

Naomi: I second it.

Stephen: Thanks, Naomi. Any questions for Jeff on the invoice? It was a shorter invoice this month. All those in favor?

Group: Aye. [crosstalk].

Stephen: Any opposed? Any abstentions? So that motion carries. Thank you. Item 6 is an issue that came up because Jennifer put out our normal meeting date calendar for next year and there were probably 4 or 5 holidays that interfered and being that the management and the 5 member authority is changing to the end of the month, I just thought about maybe moving our meeting to a different day earlier in the month to give us time to get the minutes out and report at that meeting and avoid this issue of holidays. It turns out that Mondays were a problem because of the finance committee, which also ran into a bunch of holidays.

So Jennifer put together a possibility of meeting on the second Tuesday of the month. There were...It's a, in terms of the dates, there were absolutely no conflicts with any holidays and it's a possibility. So I just wanted to throw that out to the committee. I don't know if anyone has opposition to changing or what they think about it.

Mark: I do. Every Tuesday, I have an auction.

Stephen: Okay.

Mark: We have a company auction every Tuesday. I would be unable to attend. Tuesday would not be any good for me.

Stephen: Okay.

Naomi: And I can't do Tuesdays either. I already have another obligation.

Stephen: Okay.

Frank: The second Tuesday of the month is I got a yacht club meeting and I can't come.

Stephen: I tried for second Tuesday, although it looks very nice is out. Totally. So we're back to square one here. And we do have to approve a schedule for next year, because time is of the essence here. Jennifer has to report this, our scheduled meetings to the towns. I guess if we go, we could go with the original one and it does mess us up in terms of reporting to the 5 member authority. But we could do that for this year and maybe next year, put a little more time into planning unless someone wants to suggest a different day.

Frank: It's kind of nice. It's the same week, Monday and then Thursday.

Stephen: If we do it, you talking about the last Monday having it?

Frank: No, I'm talking the way it is.

Stephen: The third, yeah. Well, except that our RPB meeting and the 5 member authority meeting is going to be pushed until the end of the month. So it's going to mean that it'll be just that week, and then the next week you have another meeting. I'd really like to have some 3 weeks totally. But, that isn't happening.

Frank: Just leave it the way it is.

Stephen: I don't think we have a choice for this year. We just don't have enough time to plan around it. We got it kind of late for consideration and we'll have to live with the changes to the holidays. So unless there's any other suggestions, do we need a motion to that effect, Jennifer? To prove it?

Jennifer: You could do motion or consensus. I mean, whatever you want. I just have a question for December 19th. That is the second day of Hanukah. Is that a day that...You're on mute.

Mark: That's okay.

Jennifer: That's okay? And then April 18th is Passover, but it said work permitted. So?

Mark: [crosstalk] It's the first two days of Passover that's the problem.

Jennifer: Okay.

Mark: I think you're in the middle of the week there. I don't have a problem.

Naomi: I think it might be the second day.

Jennifer: The second day?

Naomi: It might be the second day.

Mark: That might be a problem. I'm trying to get it up on my calendar now. Hold on.

Stephen: I've got a calendar, if you could hold on a minute.

Naomi: Starts Friday the 15th.

Mark: Starts Friday the 15th?

Jennifer: Mm-hmm (affirmative).

Mark: I'm in May. No problem then.

Jennifer: Okay.

Mark: No problem.

Jennifer: All right. I just wanted to double check on those.

Mark: Okay. No problem.

Stephen: Sorry, I couldn't put my hands on it real quick.

Okay. So we don't have a problem with that one either?

Jennifer: No.

Mark: I'm still alive.

Stephen: All right, Mark, you want to make the motion that we pass our schedule?

Mark: I make a motion we accept the calendar.

Stephen: Is there a second?

Frank: I second it, Mark and Steve.

Stephen: Thanks, Frank. All those in favor?

Group: Aye. [crosstalk].

Stephen: Thank you, everyone. That passes. There's no one opposed, I imagine? Okay. So, that was item 6. Our next regular meeting is Monday, December 20th now. And I'll call for a motion to adjourn. Unless there are any other questions or comments? Okay. Will someone to make a motion?

Frank: I make a motion.