Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District
Via Remote Access

MEETING TRANSCRIPTION

Monday, September 14, 2020 at 5:00 p.m.

ATTENDEES: **Finance Committee Members:** Tom Clifford, Charles Havrda, Jay Jaser, Vincent Marino, Tim Slocum and Michelle Verderame

FMA Member: Suzanne Sack

Management: Larry Bingaman, Dana Bochan, Rochelle Kowalski**,** and Prem Singh

OCA: Jeffrey Donofrio

Staff: Jennifer Slubowski

Tim:

Right, okay. What I think then, what we can do, we will start then because you're right about Vin. Sometimes he just [inaudible 00:01:07] in a little bit later, and I think he won't object. I'm going to bring the Representative Policy Board Finance Committee meeting to order. It is September 14th. It's 5:01. We will call for a safety moment. You've all read the Safety Moment. It's about dog bite prevention. I just bring a cat with me. Anyway, with that we'll move to the approval of the minutes.

Tom:

I'll move for the adoption of the minutes, Tom Clifford.

Tim:

Okay Tom, excellent. Thank you. We have a second, please?

Jay:

I second it.

Tim:

Okay Jay, thank you. Any discussion, any comments, any problems with the minutes that we need to clear up here or forever hold our peace? Sounds like we're at peace, and we're going to call for a vote. All those in favor.

GROUP:

Aye.

Tim:

Minutes approved by those present. That brings us to a presentation of the monthly billing project by Prem. Prem is on hand?

Prem:

Yep. Hi Tim. Good evening.

Tim:

Thank you so much for taking the time to make this presentation. I thought it could benefit the finance committee. With that, I assume everybody got these in their packets and either have them on their computer and they're looking at them now. Are you going to bring them up, Jennifer?

Jennifer:

Yes.

Tim:

The little pages. And with that I'll just ... as long as we're all prepared, I'll let Prem take it from there.

Prem:

Thank you, Tim.

Tim:

Thank you.

Prem:

Jennifer, if you could go to the agenda. What we did here for the committee is again, this is not anything new. You have seen it in the past as part of the AMI business case. We wanted to kind of set the stage for AMI alignment. I know there's a meeting coming up in October for the October committee meeting to discuss about all the benefits of AMI, but this is kind of a precursor to look at what we originally had. As you remember, one of the benefits that we talked about AMI business case was monthly billing. The focus today is about monthly billing, but we also want to kind of set the stage to kind of do a refresher on what are the other benefits we have for AMI alignment.

Prem:

What we are going to do today is kind of walk through financial in terms of all our project for monthly billing, going from quarterly to monthly. We wanted to keep it easy for our committee members here so we kind of did a walk through where you would see all the [inaudible 00:03:46] ads and then you would see the benefits. Then you kind of walk through and say, what do you land in in terms of the most likely case. There's a whole financial walk through. We'll take a look at that.

Prem:

We'll also take a look at the cost impact summary in terms of what we discussed. Again, this is a refresher. Way back when [inaudible 00:04:07] my business case there was a cost associated as part of the overall big program. Then we're going to talk about how does it reflect now, now that a couple years passed by. It is actually reflecting in a better fashion compared to what we had in those business case. So we'll talk about that.

Prem:

That being said, let's go into the first slide. Any questions, by the way, from Tim or anybody before we go into the details?

Tim:

I'm good, Prem. I think the details will probably bring some questions, so go right ahead I think.

Prem:

Okay, perfect. As you remember, from AMI benefits plan, this is a snapshot of what we initially had when we did the RPB application way back in time in 2014 as you could see. We actually had called out multiple initiatives in support of AMI project, if you remember. We talked about all our billing process improvements as to what they're going to bring in as improvements. For example, we talked about how it's going to help us on the [inaudible 00:05:08] process overall in terms of customer's benefit. We did some of the work for [inaudible 00:05:14] process as far as the billing process enhancements. We also did some work on looking at overall in terms of the data collections that we did with AMI. We now have data coming as per the automatic readings, so we do have very few estimated reads overall if you compare to the past 12 when we had more AMR meters. That's definitely a benefit, so that's already in place. We do look at some of the ... what we call this ... overall looking at the data of AMI itself in terms of accuracy and making sure that when we bill the customer we're actually billing it for the right amount of usage.

Prem:

Some of those are part of the billing process improvements or enhancements. Water Watch is another that one you would call out. This is basically we provided the customer with a portal where they can monitor their own usage and consumption. If you remember, we actually launched it last year. Overall we had close to 650 or so customers who registered for this launch for Water Watch. We actually see a lot of good uptick on it, so more customers are signing up, which is a good thing. More self service, as we see, so they can actually see their usage and they can conserve water more. Then we do have a list of other initiatives in FY21 and then followed by FY22. For example, revenue recovery is one of them. Look for collection process improvements. Water loss calculation, for example, we are working on it right now as a matter of fact. They're looking at AMI data, SCADA data, that's production data, and figure out basically what is that loss that we have in terms of overall looking up of the data.

Prem:

Now that we have all the data in real time we can actually do it much better. There's a whole exercise happening this year as part of the water loss calculations. That's another initiative we've embarked on. flexnet deployment, we are close to, I would say, 4000 or so flexnet that needs to be deployed. The plan is to complete that [inaudible 00:07:19]. We are almost to 97% of the AMI deployment completed. This is really to complete what we started. Again, as you can imagine, these are more tougher to get through in terms of putting the flexnets. That's happening actually this year. The plan is to complete it this year.

Prem:

Then bill presentment and redesign. This was another benefit we talked about as part of the AMI project where for single meter versus multi meter, we are presenting the data in the bill in a much readable format and simpler format for the customer to understand. That project is already under way. The plan for that project to go live is in February next year. Like I said, we are working on it right now. Again, it's a no brainer because in terms of an ease of use for customer, it is a much readable format, and now with the AMI data is even more better. That's that project.

Prem:

The monthly billing, we just today had a discussion about monthly billing. This is, again, a multi-year project. As you can imagine, we had actually pushed the project a little bit out based on what we had in the original schedule because of COVID happening. It was unexpected. We also looked at differing the rate cases. We wanted to make sure that we aligned the project with our rate case. That's in January, 2022. We are actually looking to go live with the project in FY22. That being said, as you know, there's a lot of work to be done up front. We are going to have to go through the whole, I would say, planning, acquirement, et cetera, and making sure that we could start putting the conversion. We also look at our, what do you call it, billing cycles to reflect upon making sure that we are able to bill all the customers in the right way. There's much more work to be done.

Prem:

For today, when you start thinking AMI, monthly billing, there are various benefits that we believe. I think the following slide talks about that. At a high level, a couple things that we touched upon in our original business case by enabling the monthly billing. It reduces the size of the customer's bill. I know there's a perception that if you [inaudible 00:09:34] it by three, so instead of having four bills now you got 12 bills, but it definitely has an impact in terms of the smaller bills that the customer can afford versus a bigger bill that, most likely, if a customer is in a bad situation, like in COVID now, it would have been perfect for them to pay smaller bills than a bigger bill. Again, history speaks to itself. Now we're seeing with pandemic this could have been a better thing if we had it in advance, right? Nevertheless, that was one thing.

Prem:

Then we talked about arrears and collection, that was another thing. A much more collection improvement process that could [inaudible 00:10:10] because we have better data now. Cash flow, again by doing a monthly billing, from a company standpoint it's better in terms of the cash flow. We will cover these pointers in the next slide, but at a high level it is definitely a good experience from a customer standpoint because now they actually are looking at these bills more frequently. At the same time, we want to kind of provide a pass to impact. What that means is that with things like Water Watch, for example, that we have deployed, they have much more service data that they can review themselves. Most of the questions billers, a high bill complaint or even with comparing their bills from, let's say, last year at the same time, they're going to be in a much more better stand in terms of understanding the bill itself.

Prem:

Any initial questions? Again, there's a whole alignment with the technology, and AMI is one of the technology that we talked about, that it's going to bring much more, I would say, better experience overall for the customer. It's fully aligned in terms of our strategy plan. We talked about in FY2025 strategy plan in bringing much of these benefits as part of our overall technology improvements. It's really aligned with all of those things that we have been talking about for many years now.

Prem:

Any initial questions before we go to the benefits, from a customer standpoint and company standpoint or strategic standpoint?

Tim:

Just one, Prem. On the issue of reduced AR and bad debt expense, I guess reducing your receivables obviously makes sense, but there is evidence that bills will be paid more regularly? Where does that come from?

Rochelle:

You want me to answer that, Prem?

Tim:

Yeah, I'm just curious. I'm just curious.

Prem:

Go ahead, Rochelle.

Rochelle:

We had actually gotten some input from Raftelis. You might remember Dave Fox from Raftelis. They work with other utilities that have converted to monthly billing. We shared with them what our current collection percent is, and based on what they've experienced as well as where we are currently, we're actually, COVID-19 aside, we do well with cash collections. We talked through with him, and Prem will get into it shortly. We are showing a small increase in our cash collections when we go to monthly billing.

Tim:

I guess because it's smaller, people can fit it in I guess. Okay, okay. There is some real statistical sort of backdrop for that. That's all I wondered. Okay, thanks. Appreciate it.

Prem:

Okay, perfect. Thank you, Tim. Yeah, thanks for asking. Go to the next slide, Jennifer. We also wanted to put a perspective on different pieces. We wanted to make sure that we look at our customer, right, our customer, of course. What does it mean for customer experience? Then the company benefit, we just talked about the reduced A/R and bad debt expense as an example. Then really connecting the dots with the strategic initiatives as well.

Prem:

When you start thinking about better customer experience, now that we have monthly [inaudible 00:13:33] even more than just a monthly billing, right? You're actually literally having [inaudible 00:13:38] data from AMI, and pretty much about every 15 minutes the data is out there with respect to our customer being able to see. Now we are able to actually give that to our customer's hand. Water Watch, as you know, we actually have our ... this has been an advantage that we can use this same information for other opportunities, where a customer might want to sign up for, let's say, PipeSafe, or different other engagements that we have. We are trying to use AMI data. As we put out the AMI data in the customer's hand, we're also working on a couple of other projects deploying mobile applications, et cetera. Those are also part of this year's and FY21 plan. Those are considered to be small projects, but the point is, much better communication than we have, much of these avenues for the customer to be able to engage with us more, whether it is PipeSafe or in monitoring or going to be more for consumption. This should really give a [inaudible 00:14:33] into the customer.

Prem:

We talked about the more affordable bill so I don't want to reiterate this thing again.

Prem:

Then the bill redesign itself, I guess the simpler the bill the better it is for customers to understand. We started thinking about it for a single meter or a multi meter status, we don't really want it to be cluttered, if you will. [inaudible 00:14:53] pretty good information on it, even the [inaudible 00:14:56] was done. Then in terms of their consumption, just make it down in a simpler format. The team had been working on that. The expectation for that project is that this simpler experience in the interface of the bill should actually drive fewer calls to the cell center, for example, right?

Prem:

Then with the new [inaudible 00:15:16], looking and engaging with us, it should actually give a more faster experience for the customer overall. With monthly billing now, I guess it's going to be even more better because, as an example, the customers have been signing up for ebill. Some statistics we looked at-

Rochelle:

Stats.

Prem:

We had close to 7000 customers sign up, just between January of past 2020 to July, which is ... between last fiscal year ... it was end of last fiscal year into this fiscal year. But just those seven months, more customers are preferring. And now with COVID being now it's even more better, where they're actually trying to set up more ebill and epay than they were before. They don't want to touch anything now. They want to be much more safer, and we talk about safety.

Prem:

This is overall, and look at it from that perspective. Overall pandemic did bring some of those things that we never expected of, and it's having a faster experience that people are signing up more. Those are a few pointers on the customer experience itself.

Prem:

From a company standpoint, we talked about the bad debt. The increased cash flow was one of them. Leakage, I just mentioned, was a good area. We talked about this whole loss calculation [inaudible 00:16:28]. Now, with having the AMI data, we just pretty much real time data that we have in hand, we were able to compare that with our SCADA data from a production standpoint, and be able to say what is the loss. Then, obviously, the customers having that self service option, they don't have to wait for ... let's say you end up a quarter where you kind of already had used less water. Rather now, with the monthly billing or monthly usage, then seeing this earlier, you're going to catch these things even ... before, they'd be complaining until the quarterly bill coming up. Those are a few things that's going to help us overall.

Prem:

Then, to be honest with you, you could spend a lot of time on bill estimation, even somebody's [inaudible 00:17:12] that we have had. Let's say the customer has a high bill and then they reach out to us. We all go back to the history, look at all the data. Literally our team would have spent at least a couple of days, [inaudible 00:17:24], just talk to me about two days in figuring out what went wrong and discuss more, et cetera. It is definitely a company benefit that we can use our resource as a collection strategy or doing something that's more useful from a customer standpoint. Having this data in a more frequent manner is a help for our company resources to be used effectively as well. Those are a few company benefits at a high level.

Prem:

Interestingly, as I mentioned on the strategic initiative, it's very well aligned. For example, for proactive communication to offset calls. When now the customer has the data, more likely chance that they look at their consumption before they even make any calls. We are actually working on a few projects where we want to sell in all communications with the customers. After the sales of Water Watch we can also do other ways of reaching out to the customer based on bills and also based on technology, maybe a [inaudible 00:18:21] in place, a mobile application they talked about. That's one thing that we're working on right now. Those things are going to give a much more strategic alignment that we have. Even participation.

Prem:

Again, we did do some benchmarking. We looked at Aquarion Water, for example. They have a participation rate up around 40%. What we did was we looked at our current rate. We are close to 25% right now. Actually it's 26% of the customers who signed up with ebill, for example. We looked at the trend and compared to Aquarion. They're up to 42%, which kind of tells us that the more likely scenario is going to be around 40% that we will be, and the best case scenario is 45% of ebill participation. What that means is the cost, the driving of the cost because we send a paper bill today, is going to go lower, which means it's better. I know when we did the business case many years ago it was a lot different scenario, but things have changed. Technology [inaudible 00:19:16] improvements now.

Prem:

We are in a very good, I would say, target, in terms of moving forward. We also understood that it's not going to happen overnight, it's going to be year on year. We broke it down by various years. For the next three years, 70% of sales over the period of the next three years, not just one year. You will see that in the financial walk through as well.

Prem:

Then payment processing. We are promoting ACH as [inaudible 00:19:39] for payment processing. That's even a customer [inaudible 00:19:41]. We have technology today where they can make a payment through our IBR system, directly going in and actually making payment rather than having the cost into them picking up to call. If they want, they opt to, right? They can actually make a payment online, too. One of the things that we are promoting in to see if the epayment options can increase along with the ebill. That's going to be a very good, I would say, savings on the cost and expense side, right?

Prem:

Last but not least, we also are looking at in house printing capabilities. What that really means, if you think about it, we are going from four bills to 12 bills, right, because you're going monthly bill you're going to have 12 bills. We looked at some of the costs that we have. When you compare it to having our partner, KUBRA, print the bills for us versus we use to printer in house, we can start doing it today. That actually is going to be a big help level, where the costs are pretty much ... I would say, a fraction of the cost, really, right? You're going to see it in the financial walk through in the next slide, but overall I think when you start thinking about it, the perception is that the cost is going to go up because the bills are going up, but the reality is we actually were able to make a business case to see by having a vendor print some of the bills, the postage costs have gone lower. We had a lot of negotiations there as well. Overall our business case seems to be in favor of us.

Prem:

I mean before we go into the actual financial walk through I just wanted to make a point here that if you think about our original business case, we actual called those for $460,000 worth of increased [inaudible 00:21:26] cost overall for the project. when we actually finished the project, right? But then now, with all these opportunities and things that we could bring on the table, the cost has gone down quite a bit I would say. If you go to the next slide, Jennifer, right.

Prem:

Again, obviously Dana is going to walk us through here, but if you see the most likely case into the $66,000 increase compared to what we thought we would spend, 460, which already is a big benefit lever for us. But let's say we go to the best case scenario. We are going into a $66,000 savings, which is savings and not even cost, right? This is why we felt it has that good business case for us to be able to walk through. But that being said, I guess Dana is here. She [inaudible 00:22:15] me, and she did a lot of good work, right, and she pulled out numbers [inaudible 00:22:19]. She'll walk you through this.

Prem:

The way you just orchestrate the slide, the way you read this from left to right, what you see in the left is our current cost, the gray bar. Then it goes up with the increment of cost because of the postage and the 12 bills versus four bills. Then we talk about the orange ones you see are the ones that are more of savings, so it goes down based on various factors. Then when you look at the overall increase, that's what you see on the right hand column right? It kind of is a nice walk through so you can go to each part of it. Dana, do you want to kind of talk about other than the cost and all the details?

Dana:

Yeah, sure. Thank you for setting that up. As far as looking at the current cost in the left hand gray column with our quarterly billing. Again, this is four bills a year. Sending out the outgoing postage, printing is all costing us about $920,000, $0.92 million. When we start looking at incremental increases to postage, again going from four bills year to 12 bills a year, we are looking at an additional $0.34 million, just in postage and paper printing, et cetera. Of course, now all we're receiving more payments. Instead of only four payments we're actually, ideally, getting 12 payments a year from every one of those customers, and there are costs associated with processing those banking transactions. That incremental is another $0.65 million a year. Again, this is all volume related from going from a four time per year bill cycle to a 12 time per year cycle. Then we have certainly the project costs that we're looking at in terms of having some debt service associated with that. That is estimated to be about $0.11 million. I don't know, Rochelle, if there's any additional insight on the debt service or anything? Questions people might have about any of those incremental cost increases?

Rochelle:

I just said the debt service would be on our estimated cost of the project.

Dana:

Thank you. When we take all that volumetric increase and the financing debt, it brings us from the 0.92 on the far left to the middle gray bar of the $2.02 million. That's a pretty big new cost that we are looking to be very strategic about how we offset and actually arrive at what we think could, in a best case scenario, truly result in either neutral or savings. Let me walk through those cost opportunities that we identified savings for.

Dana:

We have some cash conversion improvements for a $0.53 million savings in that cash conversion. This is getting dollars in the door a little bit sooner. Leak adjustment reduction should come down, we're estimating to be about another $0.12 million. Again, the dots that you see next to these with the blue dots indicate that we have a very high level of confidence in being able to achieve these based on the analysis that we've done.

Dana:

Incrementally from there, we would also look at a reduction in ebilling cost. I'm sorry, a reduction in costs for billing associated with conversion to electronic billing formats. As we convert customers from paper bills, where we have printing, postage, and all of the costs associated with that production, we end up with an ebill impact of a savings of about another $0.27 million. The assumption here is that, as Prem was talking earlier, we've seen benchmarking of sister utilities hitting the 40, 45% mark in terms of being able to convert their customer participation to ebilling. We are assuming that we'll achieve a 42% conversion to ebilling. Again, we're currently at 26. That was as of the end of July, and we have seen, just this year ... I know Prem talked about over the course of a year we've grown over 7000, and really we're still seeing growth from January to current over 1000 in just those few months. We are certainly seeing continued increasing growth, and we're working with communications and customer service in terms of opportunities to promote it further.

Dana:

We do bill print and inserts today, but we have an application that's in development, we have other customer engagement portals and tools along with proactive communications where we can use some really cool marketing techniques where we can talk about conservation, save some trees. Certainly we have the COVID aspect for lack of not touching bills and things back and forth, so we're really looking for those opportunities to promote and achieve that over the timeline.

Dana:

We also have third party bill print. Today, as Prem said, we do our printing in house and we use a local printer to do the mailing for us. That is a very costly and time-consuming proposition internally, and we can actually go outside to our current vendor partner, KUBRA, and they can actually do that at a cheaper cost for us, even on a monthly basis. So when we convert to them to do our bill print, that's scheduled for February of '21, when we do that we'll have about another $0.06 million in savings associated with bill print.

Dana:

Then ACH promotion. This is working to convert our electronic paying customers away from credit cards, so debit, Visa, MasterCard, and moving them to ACH, which is more of a direct withdrawal from their checking accounts essentially. This is something that we'll be working on in terms of ... Sorry, so to put that in context, right, our credit card costs when we're processing through, say, Citibank, and using the credit card processing components, those costs are about 75 cents per transaction. If we go to an ACH methodology and promote that it's only 10 cents per transaction. Huge savings opportunities to convert those customers. What we're looking for is finding, again, promotion opportunities, tying it with ebill, tying it with recurring payments, to convert from our current percentage up to an additional 15% of our customer ... I'm so sorry, an additional 20% of our customer base to convert. Our most likely case is a 20% increase in ACH, and our best case assumed we can get that to 25% increase in our customer base using the ACH methodology.

Dana:

From our $0.92 current costs on the far left, again incremental increases associated with the volumetric and the debt service costs gets us to $2.02, and realizing all of these savings that are tied up, not just in overall improvement in communications but true strategic initiatives that sit behind these, these are all tied together with our current strategic plan, we can bring the net monthly billing costs down to $0.99, which is about a $66,000 increase over our current billing costs.

Dana:

Again, that is our most likely case. It's a $66,000 increase and assumes ebill will reach 42% and we'll get a 20% in our ACH participation. Our best case scenario, where we truly believe we'll realize savings of $56,000, gets us from a 46% ebill participation rate and an increase of 25% in our ACH.

Dana:

Any questions?

Tim:

I have a couple of questions if I may.

Dana:

Sure, please.

Tim:

Number one, I assume ACH is a piece of the ebill, correct? It's a portion of the customers that choose not to have it withdrawn from checking but they pay for-

Dana:

No ... sorry, go ahead. Go ahead.

Tim:

No, I guess, then, I'd like to know what the distinction is between an ebill payer and an ACH payer.

Dana:

An ebill customer is actually one that just chooses to receive their bill electronically. It makes no difference or does not necessarily tie directly to how they choose to pay us for that bill. That ebill is literally ... rather than getting a paper bill in the mail where we stamp it and stuff it and send it on its way, they're literally going to get an email that says hey, your monthly bill, quarterly bill, is ready for you today. Then from there they can choose any method they want to pay us. Some of those customers actually print those electronic bills, put them in an envelope, and send a check to us. Others will go online or use our IBR to make a credit card payment. Some do choose to do an ACH payment through our KUBRA provider, but it's a small percentage. Most customers-

Tim:

In other words they're real small, because I'm having it electronically drawn from my checking account.

Dana:

We love you.

Tim:

You're telling me that most ... Yeah, but I'm just shocked that someone would want to print their own bill and mail a check.

Dana:

I'm not sure we get too many of those customers printing their bills, but it is an option that they have. I was trying to draw that distinction between the way they receive their bill is very distinct and different from how they choose to pay it. They aren't necessarily ... that's why we're treating them as two separate opportunities for us.

Rochelle:

[inaudible 00:32:40] we're trying to get someone who uses the credit card to go to a lower cost option which is the ACH.

Tim:

Right.

Dana:

Right.

Tim:

That's kind of what I gathered was the key there, but I just had a presumption if someone's bothering to sign up for paying their bill electronically they're not going to want to print and mail a check. I mean that's got to be a tiny percentage.

Dana:

Well actually, it's less about the payment. And I apologize because it's not the best example to have given you, right? If I receive my bill electronically I could call up on our IBR and I could make a payment with my Visa/MasterCard. I can just make a payment that way. That's probably the path that most of those customers are taking. But that electronic payment with a Visa card is costing us 75 cents, as opposed to if we can get them to do what you're doing, right, put it right through your checking account, it's only 10 cents. That's where that savings differential on the ACH portion is coming from.

Tim:

So when we get 42% of customers paying electronically, that's not the ACH payment you're talking about.

Dana:

No, the 42% is the percent of customers we want to receive their bill electronically.

Tim:

Oh, okay.

Dana:

Again, it's about ... the ebill impact is related to how we send their bill to them and that's it.

Tim:

Right. It's saving printing. It's saving print, it's saving postage, so that's the savings.

Prem:

[crosstalk 00:34:12].

Rochelle:

That is the big driver.

Dana:

That's the ebill piece. That's correct. That's our big cost.

Tim:

Then that moves me to my other question, which has to do with the cash conversion piece where you've got $530,000 of liquidity, I guess, more rapidly.

Rochelle:

The cash conversion, it's based on a half a percent improvement within the first two months. It assumes that we get more and we'll get it a little bit earlier out of the 12 month period. It's actually just a slight percentage improvement because we're already quite high in cash collections.

Tim:

Yeah, because I presumed we weren't running, or we weren't financing all that kind of money and that was going to go away. Okay, so it's just a little tiny bit better but it equates to $530,000 is what you're saying.

Rochelle:

Right.

Prem:

Yep.

Tim:

Okay.

Jay:

Tim, could I get in to-

Tim:

Please, please.

Jay:

I just want to have us not lose sight of debit cards. Now there are millions of people with debit cards now, and if they were to walk in to the main office to pay their bill and they gave that clerk a debit card, that's cash immediately, okay? Or they could go to the ATM machine and pay the bill through the ATM machine with their debit card. The debit card is considered cash at the time they use it.

Rochelle:

The debit card though, there is a fee for processing a debit card.

Jay:

I'm sorry?

Rochelle:

There is a fee for processing the debit card.

Jay:

Yes, yes. But the amount of currency based on income that it would create, I think, would well offset if people started paying with debit cards, if that would be opportune.

Charles:

Well that's like the difference between a credit card and ACH. I mean one is instant, one is a three day cycle.

Jay:

Yeah, that's the difference between a credit card and a debit card, yeah.

Suzanne:

Rochelle is saying that the cost to process the debit card could potentially ... will erode the benefits that the debit card provides them.

Charles:

Yeah, they're almost equal. I have a question when that one's through.

Tim:

You all set, Jay?

Jay:

Yes, fine, thank you.

Tim:

Okay Charles.

Charles:

Do we offer any incentives for different ways of paying the bills, such as discounts or anything like that?

Prem:

No, I don't [crosstalk 00:37:10].

Dana:

Sorry Prem, go ahead. Yeah.

Prem:

I was just going to say no, we don't offer that. But that's a good question, though. Should we offer something like that, right?

Charles:

Especially when it's 50 cents postage and 75 cents processing fee. The other question I have is, have we ever explored ... I don't know exactly what it's called, but many of the fuel companies use it where it's a program where they pay a monthly fee and then it's ... it's almost like an escrow payment, but you pay a monthly fee for the service and then the actual numbers catch up once a month or once a year or twice a year, whatever. Where it's like a payment plan.

Prem:

That's a good question. I mean we do have the payment plans here, right? We do offer payment plans, but I think what you're alluding to is a budget billing. They pay the same constant amount every month. We don't have it [crosstalk 00:38:10]

Charles:

But we do offer that? Okay.

Prem:

Yeah, we don't offer it today, but that's part of the plan to ... that we're going to look at today. The other thing to talk to revenue recovery, the collections parity team. We are looking into that, but that's a good question. That's also a benefit so it's going to part of that FY21 plan, right?

Charles:

The other option is, and I don't know if we're there yet, but I think the industry is probably going to be there within three to five years, is you're required to pay it electronically, and if you don't there's an extra charge. I know that's what they're doing many times, especially with credit card payments. If you don't pay in a particular way you're up charged to cover that service charge.

Prem:

Yeah, that's music to my ears, right?

Charles:

Well, that's what coming. I mean checks are going to disappear soon enough.

Prem:

Yep. Yeah, and I think that's very progressive and I agree. I think that's the way we should be going in the future, and I think today we want to make sure that we have our customers more self serve first. That's why all the participations, we can drive more of the participation. Eventually we can get to those discussions on what does it look like today, based on our credit costs and where the trend is. But I do agree, I think that [crosstalk 00:39:27].

Charles:

Where do we stand compared ... where do we stand in payment policies compared to other utility industries in the area, in the Northeast, say?

Prem:

I would say at least ... I mean I can talk to our neighboring, like Aquarion and Connecticut Water, et cetera, right?

Charles:

Well, I'm thinking even electricity, and Eversource and the rest of it. I mean they have all sorts of creative ways to stay ahead of the cash flow issue.

Prem:

Yep. I think that that's a great question. I believe there is not a kind of a ... I mean Jeff is on the call as well, right? They're not ruling out anything per se. We really are looking at getting at more customer convenience here, right? But eventually, the other utilities around here don't have a mandate of per se making any rulings along those lines. Right now everybody's much more focused. When we looked at benchmarking this they are much more focused on customer's convenience and online channels. Based on how things pan out in the future things might change, but today they have these options open for customers to be able to pay through IBR, they can do a check, they can do debit/credit cards. They have all options open. There's not a restriction on that, right Jeff?

Charles:

Are there regulatory issues that we're faced when we're changing how we get paid?

Rochelle:

We're actually not changing how we're get paid. We're trying to promote.

Charles:

Well, I mean if we were to change, are there [crosstalk 00:40:59].

Rochelle:

Will people buy what shows up first and just other opportunities to try to get people to do more ACH versus the higher cost credit card.

Charles:

Right. Okay, I just didn't know if we would be faced with any regulatory issues of how we approach this. Okay. That's all I have.

Tim:

Thank you, Charles.

Prem:

If there are no further questions on this slide, Dana, I want to go to the next.

Dana:

This conversion and cost impact is a summary, essentially, of what you saw on the previous page. These customer payment behaviors, certainly the costs associated with the financing of the bills and the changes ... or of the billing project, sorry, and the cash conversion component all take place over time. They're not going to be instantaneous the moment we turn on monthly billing. This slide is meant to represent both where we thought we would be in the original business case that was presented as part of the AMI project. The impact was anticipated to be about $460,000 back in that 2014 business case. We have been able to further refine that and look at that more analytically and more closely given our current budgets, current costs, current customer behaviors. Again, we're looking in the first year of the billing project. With the first year of being on monthly billing we would really be looking at incremental costs of close to about $167,000, $168,000 because we wouldn't necessarily be realizing all of these benefits at once. Over the course of time we would be able to realize the benefits that we talked about in the most likely case in year three being incremental cost of $66,000 or a best case of the savings of $56,000.

Dana:

This is really just taking those graphed numbers that we saw for the most likely case on the previous slide and just showing you the details of how they play out over the course of the three year horizon in the best and the most likely case comparisons. Any questions on looking at it in this type of a format as opposed to the chart version?

Tim:

Good, we're all good.

Prem:

I think if there's no further questions I guess that's the end of the slides, right Jennifer?

Jennifer:

Mm-hmm (affirmative).

Prem:

Yeah. Basically it seems like all our net net, I mean probably also previous from our past scenario we looked at 2014, we're looking at almost seven, eight years data now. Things have changed quite a bit, so we definitely have seen an improvement. Things like ebill participation, and who would have guessed this whole pandemic would change things around a little bit to actually favoring the scenarios that we actually planned to do. Getting down to the most likely case of $66,000 of the net impact compared to the 460, again, let's not forget this is part of an overall AMI business case that we will be seeing next month to talk about all of the benefits, et cetera. Although we are saying most likely case is 66, we are shooting for the best case scenario, right, so that's [inaudible 00:44:34] here.

Prem:

If there are no further questions, Tim, I think we are good for today.

Tim:

Well thank you, Prem, thank you, Dana. That was a very good presentation. I think we're all left a little better informed, and thank you for your time and your efforts.

Prem:

Thank you.

Dana:

I appreciate the opportunity to talk to you guys. Thank you so much.

Prem:

Thank you.

Dana:

I'll [inaudible 00:44:52]. Bye.

Tim:

Okay, that moves us along to discussion of the RPB resolution authorizing interim financing for draw down notes. Rochelle, you've got something to say about that?

Rochelle:

Yes. Just to give some background, what we wanted to have available to us given how much reduced our fiscal '21 [inaudible 00:45:14] plan is, we wanted to have a mechanism that if we needed to we have a funding source available to us. This is really a contingency plan. We won't use it other than the minimum amount we need to actually issue this bond, which is about $50,000, but we do feel we should have it in place in case we need it, and we'll be able to react to any unanticipated or emergency project. Again, just given how much reduced our fiscal '21 capital plan is. This is a resolution for the interim financing, but also for the subsequent issuance which would be part of a rate application or a DWSRF filing to replace that interim financing with long term financing.

Rochelle:

The request is to have not to exceed $5 million. Again, this is a contingency plan. We're not going to use it unless we need to. We do feel we negotiated a very favorable rate on this. Also this is a draw down note, so what that means, again, we're not going to issue $5 million, we're going to only issue what we need. We're requesting the finance committee to approve this going forward, and with the formal resolution at the upcoming RPB meeting.

Tim:

To that point, Rochelle, it's clearly just for the budget cycle we're in now. This is for a period of time that ends on December 31, 2021.

Rochelle:

It's actually for the period between basically now and when we expect to do our next bond issuance.

Tim:

Which would be ... I'm just looking at it. It says September 1 to-

Rochelle:

Yeah, it's December.

Tim:

Right, to December 20, 2021.

Rochelle:

Right.

Tim:

Okay. If this was not in place ... not that I'm objecting, it's just a question. If this was not in place, what would we do? We would simply have to have an emergency meeting like we did when the sky was falling with the project by the dam?

Rochelle:

Well, if it wasn't in place and if we didn't have any other funds to use, it would definitely impede our ability to do additional capital projects. Again, remember our original budget for fiscal '21, the capital budget was roughly like $38, $39 million, and it's down to just a little over 19. So [crosstalk 00:48:16] about that.

Tim:

Right.

Rochelle:

That's really what's driving this contingency plan.

Tim:

Because in other words, there's not that much you could cut out of a $19 million plan.

Rochelle:

Right.

Tim:

To come up with. This is really just bulking up something for a potential problem. That's sort of what you're saying?

Rochelle:

Correct.

Tim:

It's a problem solver.

Rochelle:

Yes, a contingency plan.

Tim:

Right. Going past that a little bit, if in fact you had to activate this, you've got a resolution potentially approved. What do you have to tell us? How is it actually going to go into function, into form? It would just happen? Say you needed the money is what I'm saying?

Rochelle:

Yeah, the approval would allow us to do ... to utilize this, but keep in mind, if it was a large project we would go to the RPB anyway, if it was over $2 million. And also you would get at least quarterly updates on where we are with the capital plan. You'll be seeing that in October. We'll share with you where we're projecting to be. But also, if you want to set up something special that [inaudible 00:49:38] if we utilize this, that's fine as well.

Tim:

Okay. Anything else?

Jay:

I have a question, Rochelle.

Tim:

Yes, Jay.

Jay:

Rochelle, I'm for, I'm very much in favor. You have to have a contingency for quick liquidity, okay? But is there any reflection on our draw and the 114 percent we maintain for the bonding?

Rochelle:

No, this is ... we are going to initially issue this, it's going to be subordinate [inaudible 00:50:16].

Jay:

Okay.

Rochelle:

It will actually protect us if we choose to use this to help reserve some of the liquidity that we do have.

Jay:

Okay. All right, that's what I thought. That's what I think. It's temporary and only seasonal. Yeah. Okay, thank you.

Rochelle:

Again, we won't utilize it unless we need to, but we did want something in place. The bank that we're working with has already approved this.

Jay:

Yes. I'm definitely all for it. Yeah. Thank you.

Tim:

Thank you, Jay. Anyone else, questions for Rochelle on this? Well, I presume then you're past the conversation thing. We basically have to move this forward. Is that your request, that we accept this motion, we approve this motion to be moved on to the full RPB?

Rochelle:

Yes.

Tim:

Is that correct?

Rochelle:

It's the request, if you think we're with a resolution to pass it on favorably to the full RPB at the upcoming meeting.

Tim:

Well I don't hear any objection being raised by anyone. Are there any concerns or objections, or is everyone in league with this proposal? Well, we seem to be fully aligned then. Do we need a motion, just to advance this as proposed, as written? I'll have a-

Jay:

I'll make it.

Tim:

That motion, then a second for that.

Jay:

I'll make that motion, Mr. Chairman.

Tim:

Thank you, Jay. A second please.

Vin:

I'll second.

Tim:

Okay, thank you. All those in favor.

GROUP:

Aye.

Tim:

Motion carries unanimously. Was that Tom, the second? Tom, did you second that?

Tom:

No, I did not.

Vin:

It was Vin.

Tom:

Okay.

Vin:

Vin Marino.

Tom:

Oh, okay. Thanks.

Jay:

Hi Vin.

Tim:

Hi Vin.

Vin:

Hello.

Tim:

We knew you'd chime in. Good to have you.

Vin:

I'll be heard by somebody.

Rochelle:

Thank you.

Tim:

That moves us, then, to the quarterly report on RPB Approved Projects. Rochelle, you prepared a summary that we got tonight anyway, and do you want to make the report?

Rochelle:

Yeah, I can quickly go through it.

Tim:

Sure.

Rochelle:

I'm not going to just read through it. I'm actually going to highlight more of the projects from a financial perspective. We'll mention, I think you can see the next key item is the trial date that was set for September 22nd. Also I wanted to mention that this project is still in our fiscal '21 budget. It's in a million dollars, so that does assume that this will go forward within the fiscal '21 year. Also, just want to share that the low bidder, which is Guerrera Construction, has agreed to extend the bid for 180 calendar days. This is also assuming that it goes forward, this will be partially funded through Drinking Water State Revolving Fund money.

Rochelle:

For Brushy Plains water system improvements, the project basically concluded this past month, the month of August. There was just a small amount for this project in the fiscal '21 budget, and this is also a project that there is a small amount, a little under a million dollars, or construction that we are anticipating to be funded through Drinking Water State Revolving Fund. We expect to get a low interest loan as well as a grant.

Rochelle:

The RTU upgrades, this is a project that, due to the revised budget, was replanned out. The cut over is now planned for January of 2021. There is a million dollars in the fiscal '21 budget for this project, and this is another project that we are expecting Drinking Water State Revolving Fund monies to help finance.

Rochelle:

The Branford Hills service area improvements, you probably remember this project from last fiscal year. It was approved in April of 2020. There are negotiations with Connecticut DOT regarding additional paving restoration. Hopefully those negotiations will be successful, and hopefully we won't incur any additional costs. There will probably be another update as the negotiations are expected to resume in the second quarter of fiscal 2021.

Rochelle:

Then north Sleeping Giant oil field facilities improvement, this project is now anticipated to complete in August of 2021, which will be fiscal '22. This was approved very recently, June of 2020, by the RPB. This project is in our fiscal '21 budget at roughly $800,000.

Rochelle:

Are there any additional questions?

Tim:

I think I'm all set with this, Rochelle. It's a fine report. Pretty clear. Anyone else? Okay. That brings us then to new business. Any new business? I guess there's no business, so I will ask for a motion to adjourn.

Jay:

So moved.

Tom:

Second.

Tim:

Thank you, Tom. Thank you much. All those in favor.

Michelle:

[crosstalk 00:56:26].

GROUP:

Aye.