South Central Connecticut Regional Water Authority
Minutes of the October 15, 2020 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority ("RWA" or "Authority") took place on Thursday, October 15, 2020, via remote access. Chairman DiSalvo presided.

Present: Authority Members Present – Messrs. Borowy, Cermola, Curseaden, and Ms. Sack
Authority Members Absent - Mr. DiSalvo
Management – Mss. Collins, Kowalski, Reckdenwald, Nesteriak, and Messrs. Bingaman, Norris, and Singh
RPB –Ms. Mowat Young
Staff – Mrs. Slubowski

Joe:

Do you have a safety moment, Larry? Do you want to...?

Larry:

Yes. The Safety Moment for October is creating a safety culture in order to prevent accidents and injuries. And, Safety Moment talks about the things that need to be done in order to create a safety culture, such as not taking anything for granted, that everybody in the organization should share the same responsibility for a safe work environment. Existing safety systems should be constantly developed and improved, and communication should occur between departments, and the workforce, and management in order to ensure a safe work environment.

Joe:

Very good. I'll entertain a motion to recess as the authority and meet as the Pension and Benefit Committee.

Group:

So moved.

Joe:

[crosstalk 00:01:05]. All in favor?

Committee Group:

Aye.

Joe:

Opposed? Motion carried.

[PENSION AND BENEFIT COMMITTEE MEETING FROM 12:31 P.M. TO 1:10 P.M.]

Joe:

Thank you. Act on matters arising from committee meetings. Should the authority as a whole approve that sixth amendment?

Larry:

Yes.

Rochelle:

Yes.

Kevin:

I'll make that. I'll make that motion.

David:

I'll second it.

Joe:

Any discussion? All in favor?

Group:

Aye.

Joe:

Opposed? Motion carried. We have the consent agenda.

Kevin:

I'll make a motion to approve.

Suzanne:

I'll second that.

Joe:

Are there any things anybody wants to remove from that to discuss? Hearing none. All in favor?

Group:

Aye.

Joe:

Opposed? Motion carried. We do want to finance. Rochelle, let you...

Rochelle:

Okay. I think Larry's going to do an introduction.

Larry:

Yeah. I just want to make a few comments. Rochelle, first of all, did a great job putting this ten-year model together. And it's based on input from Ted Norris and [inaudible 00:40:06] on some of the capital items, which is an important part of this whole model. And we'll spend a few minutes talking about some of the assumptions regarding that, because it's looking at our capital budget a little differently moving forward.

Larry:

Secondly, Rochelle will outline the base case, which is essentially the foundation for laying out all the assumptions from which the various scenarios will vary. But there's one important one that we are calling the target, which is what we will be looking at or our next rate application moving forward. And that's taken a lot of hard work in terms of getting the percentages where they are.

Larry:

And I won't [inaudible 00:40:58] Rochelle's presentation on that point, but it's an important slide. So keep in mind recommendation number five, which is part of recommendation for the model. So With that, Rochelle, do you want to take it away?

Rochelle:

Okay. Thank you, Larry. And I am going to talk through the PowerPoint. I'm not planning on going through the complete details of the ten-year plan. That's also in your boardpaq, unless you have some specific questions.

Rochelle:

So with that, the agenda... Jennifer, that's the next slide. I'm going to start with what I'm going to call the modified base case model. And I'll talk in a minute why we're calling it the modified plan. We're going to go through the underlying assumptions, the issuance test summary. That's really where it highlights the rain impacts. Going through the components so that the increase, as Larry mentioned. We have a slide on the capital planning updates that's critical. A Part of the ten-year model. We're going to talk through leverage. Some of the opportunities and vulnerabilities.

Rochelle:

And then we're going to go through the recommendations, including what Larry referred to as our target recommendation as we look towards our next rate application. We'll also go through some additional sensitivities that we'll talk about the next steps as far as 2021 results, the 2022 budget and the upcoming rate application.

Rochelle:

And then in the appendix, there's some more detail regarding the results of the various scenarios that we looked at. And I do want to mention this was a team effort. In particular Rob [inaudible 00:11:46], worked through a lot of the details of the model that I'm presenting.

Rochelle:

So first, what we're calling the modified base case, and the reason that I'm calling it a modified base case, we actually did a base case, but that resulted in rates that... A rate increase coming up, that was an excess of 7%. So we said, "That's not really acceptable. What can we do to bring that next rate case down further?" And that's in what we're going to call this modified base case.

Rochelle:

Some of the key assumptions were, we did keep the rate stabilization fund at $10 million on throughout the model. So even when there was a sort of a non-cash draw, meaning that we did not need to make a draw to cover expenses. But we didn't need to make a draw to cover our coverage requirements. That was assumed to go back into [inaudible 00:43:44] funds. So that a fund throughout the 10 year planning horizon was kept from from the growth fund as some can offer that.

Rochelle:

We assume that there is some capital projects that are related to non-core. So the growth fund is funding those. However, the remainder of the year end disposition available as far as the modeling is assumed to go into the construction fund to offset. I'd get financing. Another key assumption in the base case, as well as in our target case, is that we are assuming that the excess in the general fund is hoping to reduce the upcoming rate increases.

Rochelle:

So what I mean by that, you might recall at the end of our fiscal 20, when we went through our year-end disposition, we wanted to provide maximum flexibility and it's addressing COVID-19 and you know, other considerations. So we knowingly put extra monies into the general fund. And I'll talk through this in a little bit more detail a bit later on, but we are utilizing the monies that are available in excess of $10 million to help offset upcoming rate increases.

Rochelle:

From a revenue perspective, we're using a year over year decline, our standard 1%. We are using as our start point, our original fiscal 20 budget. So again, keeping in mind that our revised fiscal 21 budget definitely not a normal year, both in what we're forecasting for cash receipts, as well as what we were forecasting for O&M.

Rochelle:

So we are working with our original fiscal 21 budget for the most part and projecting out the following years. The net non-core reflects organic growth only, so the modeling does not include potential acquisitions. The financing does reflect additional DWSRF projects. The timing of which is important because for most of the DWSRF projects, we're actually spending the money imm a prior period, and then we're getting reimbursed.

Rochelle:

So we've baked into the model five DWSRF projects. One is the final traunch of the AMI project that we're hoping to close on shortly. Those monies will go to pay off our in term financing note, but the other four projects will be reimbursements to ourselves to help fund future capital projects. We did go through a very thorough update to the capital improvement plan. And as Larry mentioned, that was done by Ted and Beth and Lisa Burns and a number of other team members to really look at what the capital requirements are. I'll talk about that in a little bit more detail shortly.

Rochelle:

The rate applications in this model are still assumed to be an every 18 month model. The expenses for the most part were based on, as we've done in the past, the published projections from the CBO. There are certain exceptions. The exceptions included are pension assumption, medical, and OPEB. We are using the actuarial information as far as how they project out health costs for OPEB.

Rochelle:

One of the other things that we did in this model, as opposed to having a separate scenario relative to what we would do when the pension reached it's fully funded level. We've actually baked that in and, again, I'll talk about that in a little bit more detail shortly. But instead of having that be a separate scenario, that is an opportunity to both increase our OPEB funding, as well as take the opportunity when the pension does get to fully funded. To put some more monies into depreciation.

Rochelle:

In this model, the pension is assumed to get to fully funded by the end of fiscal 25, that is consistent with last year's model, given the pressures on the plan and the update to the seven, if we were to keep to what was the seven year funded level and to get to a fully funded by the end of 23. There is a scenario that shows that impact, but it really is not affordable from a rate payer perspective. However, other than in fiscal 21, in the other years of the plan, including in 22, the assumption is we will be contributing again more than the arc.

Rochelle:

Okay. Moving on to the next page where we see some of the details of the model. And you can see here that the price per gallon still does remain approximately a penny within a whole planning horizon. Also, the projected increases through fiscal 20, 27 are all under 7%. Honestly, we didn't spend a lot of time looking at fiscal 28, fiscal 29, as far as fiscal 30, as far as how to get the January 2nd of 2028 increases below 7%.

Rochelle:

But just looking at how the model works, I'm comfortable there'll be an opportunity to do that and try to even out the situation between the January 2nd, 2028 expected rate increase versus the July 1, 2029. I mean the outer years, this is definitely not a budget. And even in the near term years, it really is just a model.

Rochelle:

A couple other points I want to make. And I think this is Very good news in that, if we look at where we are forecasting our rates to be this year versus last year in the model that we presented, especially given the COVID-19 impact. We are actually forecasting that the rate in fiscal 2030 will actually be a little bit lower than the rate that we were forecasting in fiscal 29. The last time that we did the model, we're also projecting, you might recall.

Rochelle:

And last year's model, our base case that we presented, was well over 7 for water. It was almost 8%. And we proposed a recommended scenario that put us just under 7. You can see here are modified base case is already under 7. And we're going to be talking about a target that's actually under 6.5 That we're going to work through.

Rochelle:

So this again is laying out the projections over the next 10 years, primarily focused on what it means from a rate perspective. Are there any questions before I go to the next sheet?

Rochelle:

Okay. Going on to the next page, this is for...

Suzanne:

I'm sorry, Rochelle. I couldn't get my mute off fast enough. I have a question.

Rochelle:

Yes.

Suzanne:

On the observation that you made about 29 to 30, is that some significant change in the trend?

Rochelle:

I think our financial performance has been stronger from multiple perspectives than we had previously anticipated. So that's definitely helping.

Suzanne:

Okay. So that's a projection out in a point in time. It's not some event that is changing in the dynamic of our debt schedule and our revenue over time. It's just a calculation from where we are today.

Rochelle:

But it's a result of our execution and how we've been performing with our higher than previously anticipated year end dispositions. We had one additional refinancing between our last model and this model. So I think it is a result of steps out we've taken.

Suzanne:

Yes. I was just asking if it was more of a bigger trend of some sort, but I think the answer is no. But I'm not to diminish that the contributions of the steps we've taken that allow it to happen. I don't know if I'm making any sense, but I got the answer to my question. Thank you.

Rochelle:

Okay. I'm looking at the details of the rate increases. And I'm just going to highlight a few things here. January of 2022, that would be the timing of the effective date for our next rate increase. You can see that cash revenues, which is that orangy line, on debt service and interest income are actually the primary drivers. O&M is a smaller driver because we are using general fund money in this scenario, just under 1.6 million of general fund money to help offset the rate increase.

Rochelle:

You can see that cash revenues is a large driver of the upcoming rate application, but keep in mind, this is versus our July of 2019 rate application. So that's about a two and a half year timeframe. So especially given that gap between our last rate application, we are pleased that we can present a model that's less than 7%.

Rochelle:

The July of 2023 case, the reason that O&M, as well as debt service, are the primary drivers and O&M in particular. Is because the assumption is we've basically depleted the excess in our general fund. So it still will remain at 10 million, but that offset to O&M is no longer available. So that is a key driver.

Rochelle:

the January 25 case that reflects the pension, beginning to achieve the fully funded status based on this modeling is assumed to occur at the end of fiscal 2025. So fiscal 26 will be... Is a key part of this January 2025 rate application. And then January of 2025 and the July of 2026 projected rate applications, they do reflect depreciation more than... Above a million. And I will get into that in a little bit more detail.

Rochelle:

The pie chart shows for January of 2022 shows the numbers that go with the upcoming... Our rate of application. And again, you can see that the orange area is just under 3 million. So that is drivers of the plan.

Rochelle:

Moving on to the next chart. This was was mentioned earlier, there was a really extensive review of the capital plan that's in this 10 year model. Capital, as you know, is a key driver. It's driving our financing requirements. It's also a key impact on what internal funds are available to fund the capital program.

Rochelle:

So quite a significant effort went into updating the capital plan that's being used in this model. And I will mention, it's been really the last couple of years that we've done this significant update. Earlier models were more based on the most recent five-year plan. So this is the most up-to-date view. It incorporates, the three R's that you're heard Beth and Lisa Burns present to you. Risk, resiliency, and redundancy.

Rochelle:

There is a new structure that we applied. So the planning document that's behind the model has the sources supply. The service area, the particular activity by activity, what we mean is, is it regulatory compliance? Is it system expansion? Is it upgrade and rehabilitation? To give some examples. And this really allowed the team more clarity regarding the allocation of the capital dollars and whether the capital dollars were meeting our objectives.

Rochelle:

There is a movement towards larger system projects that meet multiple objectives. This will impact the number of project applications that will be going to the RPB. The larger system projects, we believe, will help with capital efficiencies by bundling and the project management administration and coordination.

Rochelle:

The other key point that we do want to make. This plan reflects on projects that have high certainty. It did not reflect on the wishlist of projects. Again, there was a lot of review, a lot of scrubbing. So rehabilitations with low consequences of failure were not included. Potential, but not yet definitive technology projects, are not included. Projects associated with possible upcoming regulatory requirements, but that are not yet in force. Those sort of placeholder projects were not included.

Rochelle:

It does include critical infrastructure and a thoughtful sequencing of the projects. And with that... I don't know that's in, Ted. If you want to make some additional comments about the capital plan.

Ted:

Sure. As Rochelle talked about, when we took the budget apart, and Lisa Burns out a big piece of this. She began looking at what is a better way to look at the capital budget. And that's where we went to a systems level. So for instance, on our spreadsheet now, you can pull up every Westford project. A freedom project that's going to be happening in the next 10 years, et cetera. Including, you go down all the pump stations, all the treatment plans, tanks, and everything else.

Ted:

It allows us to look at where we could gain some efficiencies for bundling for instance, West River Water Treatment Plant. We hope in the next couple of months to bring you, I don't want to call it a mega project, but a larger project than usual. That would be more than one project. It's actually going to be three if it goes forward. With the idea of making sure that we can capture those efficiencies by having one GC working out at the treatment plant doing three projects.

Ted:

So that seemed to make a lot of sense. It's a very good way to take the budget apart and look at it from a lot of different perspectives. So that's why we really like it. Beth?

Beth:

Yeah. I think the other benefit it brings, is we're looking at the system more holistically. So we're not making short-sighted decisions on some infrastructure improvements that might be handled more effectively through a bigger project. So it's definitely drawn some attention to how we can gain efficiencies and long-term efficiencies with making some bigger investments. But like the slide said, achieving multiple objectives with that project, not for example, a chemical treatment system, pump replacement. Looking at the plant as a whole.

Beth:

This is, as Ted said, we do have the West River dam projects coming up. That was a large project to begin with, but we have reviewed the scope to see what else we need to do, or was in the near term capital improvement project that we can bundle together. So that'll be our next step with that project.

Rochelle:

Okay, Jennifer, if you want to move to the next slide. Okay. This is where we show our leverage trend. So you can still see a gradual, and it is gradual, decline in the debt to capital ratio. So in 2009, it was rough, almost a hundred percent. 2021. We're about 86%. by 2030, the modeling suggests that we could be at a 75%.

Rochelle:

I do want to caveat this. The ratio does depend on what the mix of assets are. So the shorter lived assets do increase the depreciation more than our longer lived assets. But this should be directionally correct on showing a year over year decline. I should also mention that these ratios are adjusted for...

Rochelle:

I should also mention that these ratios are adjusted for unspent bond proceeds and what that means is, as you know we have to pre-finance our capital plan. So at the end of any particular fiscal year, there could be unspent bond proceeds that are still remaining. Over the 10 year horizon net utility plan does increase by more than debt, and that's a very positive thing. I think the other positive aspect just looking at these 10 years is, so in fiscal 2021 at the end of the year our projected debt is at 545 million. By the end of this particular planning period we're actually projecting that will be at 538 million. So even with significant capital investment we're projecting that our debt will be less, however we are projecting that the debt will peak... and this is in the details of the model, in the leverage sheet it will peak at 591 million. So I'm sure they'll probably be some changes in the specific numbers but we are in our trajectory over time to lower the debt, but they're still expected to be some increase but capital investment is also increasing over this period.

Suzanne:

Rochelle?

Rochelle:

Yes.

Suzanne:

So 75% ostensibly by 2030, and what was our target to get it down to?

Rochelle:

I think we actually had... I mean last year we were projecting that 2029 would be at 78%. We knew that this was slowing steady. I don't think we have a very specific by year target. I think our target though is to significantly reduce this gradually over time.

Jennifer Slubowski:

Right. [inaudible 01:04:06] So, the question then is, in 2009 at 100% do we happen to know what it cost us in real dollars versus 75% in 2030?

Rochelle:

Are you talking about the debt service?

Suzanne:

Yes.

Rochelle:

We know what our debt service is but their ratio is not just about the debt service, it's as a percent of the capital. So the [crosstalk 01:04:43] in 2009 was a lot lower than it currently is.

Suzanne:

Correct. My observation is sort of, if you look at this you think this is great we're reducing our need for debt to support our capital plan. Correct?

Rochelle:

Correct.

Suzanne:

On a percentage basis. However, if our capital plan grows exponentially while we're reducing on a percentage basis, we're not reducing on a real dollar basis or we might even be increasing on a real dollar basis.

Rochelle:

Well, we are in... so the modeling and if you want you could look at... Jennifer I don't know if you want to call up in the model, it's the leverage page. I mean the projection actually projects that by fiscal '30 our total debt will actually be lower than what it currently is today. But we are projecting that there will be a peak within that period, but overall we're working to get the debt down and therefore debt service down.

Suzanne:

So are you saying that as these percentages come down, there's actually... we'll also experience a reduction in overall debt and debt service?

Rochelle:

What I'm saying is for our fiscal 2021, our projected debt par including DWSRF is about 545 million.

Suzanne:

Mm-hmm (affirmative)

Rochelle:

In fiscal '30 the modeling has our debt about 538 million. So a gradual decline however we are expecting an absolute [inaudible 01:06:26] although will still be a lower percent, that it's going to peak in fiscal '25.

Suzanne:

Okay. So debt service actually isn't going down that much, from 545 to 538 unless our debt mix is changing a lot?

Rochelle:

Right. [inaudible 01:06:42] capital is going up so the leverage and how our rating agencies look at us, they'll still be a favorable because the asset is going up more than the liability.

Suzanne:

So the only benefit really to the consumer is that there's no inflation associated with their debt service?

Rochelle:

Yeah, I mean for the new debt we got a forecast from Acacia Financial Advisor, and that is actually also in the details. There is an assumption that the interest rate on long term debt will go up, but that will only impact the new debt. Also, keeping mind and sort of skipping ahead it's later in the presentation, I know we're going to definitely continue to pursue refinancing opportunities which will reduce the debt service.

Suzanne:

Right, but again just to the consumer, the ability to translate all of this sort of nice trending stuff as a percentage of our capital plan to the consumer really is very minimal in terms of how it translates into how much debt service is going to be a part of the mix to come up with our rates. Correct?

Rochelle:

Right. I think from the consumer perspective the balance is... we can see this a little bit when we go through the sensitivities. We are balancing how much additional depreciation we put into our rates and each rate application, because of that the more depreciation we put in, the more internal funds we would generate-

Suzanne:

Right.

Rochelle:

It would lower our leverage but it would create... and there's a sensitivity a little bit later, it would create pressures on the rates. So we're trying to balance gradually improving our financial situation, especially relative to leverage but not putting too much pressure on the rate pair. It's definitely a balance.

Joe:

The other advantage is that the rating agencies look on this reduction in ratio favorably-

Rochelle:

Correct.

Joe:

That'll help us keep our rates on the debt lower and that's... it's really the debt surface that causes the rates to go up.

Rochelle:

Right, right.

Suzanne:

Yeah, you're absolutely right Joe. 100 to 75% is a fabulous thing.

Joe:

Right.

Suzanne:

I'm just trying to figure out how much it really means to the customer in real dollars. I think we've answered my question, it's not a lot. I understand that the rating agencies give us a better rating and perhaps we can then pay less on our debt service associated with it as we go forward, or at least maintain the level that we have. But it doesn't necessarily change the fact that we have operating budget and we have a capital budget supported by almost as much in our operating budget each year in debt service, and does not actually get reduced over time.

Rochelle:

Go ahead.

David:

Along those lines this is the same subject matter, could I bring up a thought that I had? Now I'm not saying I'm in favor of this, but I just want to have the idea discussed for a moment. If we're at $500 million worth of debt, so 1% would be... 1% at this point would be $5 million. If we raised our rates 1% a year, for the next nine years to get to 2030. That's about a million dollars more a year, we could do it as like a surcharge... a debt reduction surcharge or something, that would get us $9 million. That would only have us go to 73%.

Rochelle:

Yeah, and if you want to-

David:

Is that right in my thinking? Don't know how significant that is.

Rochelle:

I think when... if you want to skip to some of this scenarios, we did do a scenario where we're increasing the depreciation and you can see... I mean at the end of the 10 years based on what we put in as additional depreciation, it has a leverage impact of half a percent. What this modeling shows is that it's gradual, there's not really significant changes and there're modest changes in the rates that the customer is paying. So those are all the... trying to balance all the financial aspect, impact on the rate payer, what it means from a rating agency perspective, but all the rates and this is consistent with other years we do all these different scenarios, and the rates usually fall within a pretty narrow range.

David:

Yeah.

Suzanne:

Yeah, I think you're making my point, right? And so I guess the question Rochelle is, if in fact that our debt service is... or debt and our debt service associated with that is so high. The question I would have for the authority is, should we ever let rates go down when the offset can be to use that for... and I don't even know if what I'm saying is doable, continue to offset pressure that comes from debt? Because that over time will end up relieving pressure on the ratepayer, rather than giving it for a day but then just continuing to-

Rochelle:

I think we did that even in this base case if you want to maybe show page nine. Instead of just letting... when we reach fully funded with a pension there's a significant drop off. So instead of taking that drop off the proposal puts actually a significant amount into depreciation, it's an opportunity to do that. It's like a one-time reduction in your expense, because you're not putting these very significant pension contributions and it's an opportunity... I'm still keeping the rates pretty reasonable by using those kind of opportunities. There could be... when we get closer to the decision time when the pension plan is fully funded, there could be a decision to put even more into depreciation and less into the OPEB, because the depreciation does have that added benefit of offsetting our leverage.

Joe:

What's our OPEB liability right now?

Rochelle:

The OPEB liability right now is between 18 and $19 million.

Joe:

That's a kind of a drag on our ability to finance also [inaudible 01:14:16]

Rochelle:

Right, so it's a balance. So in this base case what we did is... So in fiscal 2026 which is part of this January 25 rate application, we added an additional 500,000 to the depreciation. So instead of going up just to a million, we went up 1.5 and then in July 2027 instead of going up a million, we actually went out two million. Then we increase the OPEB contribution to do also sort of that one time pick up to address the liability. We added half a million and then 1.2 million but as mentioned here we could address that mix and we could address the mix based on the then current circumstances. So we'll be a few more years in, we'll know what... as Joe mentioned we'll know what our current liabilities are, there are a lot of things that go like into that mix and we can make a decision at that time how much we want to put into depreciation, and how much we want to put into the OPEB. Does that answer the questions?

Rochelle:

Maybe going to page eight. So again this is just a modeling and there are multiple things that will impact these outcomes both possibly favorably and possibly less favorably. We talked capital expenditures and financing is a key driver, there could be regulatory requirements that do cause the capital program to need to be increased, that's just an example. Potentially there could be more DWSRF financing, they are lower cost and there is also grants associated with that. The interest rate environment is another key factor both on our ability to refinance as well as what the cost of debt is, it's also impacting our interest income. I mean right now we're forecasting our interest income to be significantly down because of what the shorter term interest rates are. As I mentioned we're definitely continuing to monitor for opportunities to refinance, so no additional refinancing was baked into the model. I would say from that perspective it's conservative.

Rochelle:

Another key initiative that we have is we're looking at potential additional grants to help find our capital program, and we're optimistic that we'll be successful in getting additional grants other than the Drinking Water State Revolving Fund grants to help finance the capital program. From an operating expense perspective I mean there're multiple categories that we continue to look at what our overall O&M expenditures are. The revenue side as I mentioned the non-core portion of this plan only includes organic growth, it doesn't include any potential acquisitions. It's probably... we tend to be a bit on the conservative side. Other key things that will impact us are the percent of billings that we actually collect. Monthly billing should give us some upside opportunity as we built that into the monthly billing business case. Bill consumption and cool wet summer that's going to impact our numbers than a hot dry summer. The whole consumption actually can be significant and also potential revenue opportunities with wholesale and interconnections. Those are the drivers and most of them can be opportunities and vulnerabilities.

Rochelle:

Okay, moving on to the next page. I think I pretty much went over this and again, the base case does include an increased depreciation as well as two OPEB in the years that the capital... the pension plan reach it's fully funded level. This results in the fourth largest... fourth lowest rate about 995 in the 10th year. It has a leverage of 75%, and internally generated funds over the 10 years of 139 million. That is another increase from last year's model where the base case in the 10 years was generating about 129 million. Again, from a positive perspective, more internally generated funds.

Rochelle:

Moving on to page 10, this is what Larry spoke about. So our target for the January 2022 rate increase, we are going to target keeping that rate increase less than 6.5%. It's probably going to be a little difficult getting there but we can get there from different ways on how we modeled it, we did make a very minimal reduction to the capital program. Just removing the additional 1% capital contingency that's in the capital project. Nothing significant but that was contributing. We actually made a more aggressive assumption on PILOT, we have to project what our year over a year PILOT increases are, although we don't really control the [inaudible 01:20:24] rates of course in the towns, but we do monitor PILOT quite closely. John Triana always is looking at all the assessments and are the assessments fair? So there could be some potential that the PILOT will not increase as much as our conservative estimate of that.

Rochelle:

It also includes slightly lower O&M looking at things like how much should much outside services pay? How much did some of our other align items pay? And I think just the overall message we need to keep our year over year O&M increases in check, and monitoring the capital and just other ways to mitigate the rate increase. Another potential will be if we continue to do better than expected in fiscal '21, that will actually help our year end disposition and help reduce the financing that we'll need to do an upcoming rate application. For this model we used our current assumption relative to fiscal '21. This is our target that we're going to really work towards getting the next rate application to be probably realistically just under 6.5%, but that's what we're going to strive for. Are there any questions before I talk about some of the other scenarios?

Suzanne:

I'm sorry, I'm sure you mentioned this. So, 6.7% for what period? Starting when? When does this start?

Rochelle:

The 6.5% would be for the upcoming rate application that the current plan is that would be effective January 2022. [inaudible 01:22:22] filed in late June or July.

Suzanne:

Okay, and the last two were at what rate?

Rochelle:

Our last rate increase was at, water was at 6.5 and overall with 6.1.

Suzanne:

Okay.

David:

We have to... Oh, sorry.

Rochelle:

Adjust the previous one, just so I can see the last three years.

Suzanne:

Do I have the previous [crosstalk 01:22:49].

Rochelle:

The previous one was probably in... they're usually in the six to seven [inaudible 01:22:56]. Recently we had an anomaly when you're at 3% but previous they've been even in excess of 10%. I can get that to you, the rate in our official statement.

Suzanne:

Okay, thank you.

Joe:

David, you-

David:

One thing I will-

Joe:

Go ahead.

David:

Yeah, one thing I would notice that normally they're 18 months apart, this is going to be two and a half years.

Rochelle:

Correct.

David:

So keep that in mind and we've normally said, "Well, at a year and a half, if it's 6%, it's really 4% a year." This is going to be six and a half 7% over two and a half years. So it's going to be about 2% which we've got to see how the economy is, when we're ready to make the decision next spring. But we do have to realize that it's been a much longer time and if you divide the cost over time because that's what we're doing is trying to catch up to having our budgets, especially the O&M be what it should be at keeping up with inflation and the needed expenses.

Rochelle:

Right.

Suzanne:

Do we think that's a good thing that if [inaudible 01:23:55].

David:

Do we think it's a good thing what?

Suzanne:

That it averages out to 2%?

David:

Well, initially my thought when I looked at this was maybe not. Maybe this would be a year if the economy is good next spring, that we could tack on a little bit more and pay down some other expenses that are coming up maybe be a little more aggressive with the pension, or with some depreciation or something. So that might be a good year to do that next year, because we did manage to muddle through a two and a half year period without an increase. But those are decisions really... in my opinion I'd want to see how the economy is and see how things are going next spring.

Jamie:

Didn't the baseline model show that the... not OPEB but the retirement would be paid up in 2025, so we wouldn't have those extra payments anymore. So that would not essentially increase the percentage of income or revenue? [inaudible 01:25:03]

Rochelle:

In the base model the year that the pension gets fully funded for the two rate applications that that impacts, we assume that we're going to put additional money into depreciation and some additional money into the OPEB. Instead of lowering that we are making that assumption in this base model, and that is a decision point. That's an opportunity if you wanted to keep rates low. Possibly you wouldn't do that but that's really our opportunity from a financial perspective to really improve our... reduce our leverage and improve our internal generation of funds. So those are the balances.

Jamie:

I think that's exactly what was done with stranded costs for electricity when payments were reduced, the money which is reallocated elsewhere. I think that's good.

Rochelle:

I think one of the other scenarios that we looked at, it was more focused on that our years is possible opportunity to lower certain costs and that has an impact versus the sort of the base case. Really what we'll do is probably combine scenario five and six, but again scenario five was really based on really focusing on this upcoming rate application. David, your points are very well taken. We're two and a half years out and an ability to keep the rate increase at less than 6.5% is actually a pretty significant especially given the aging infrastructure and the investments that we need to make in capital.

Rochelle:

Just going on looking at some of the other scenarios, we did look at a scenario about increasing depreciation and what the impact would be on rates and leverage. As I mentioned this does result in a leverage improvement of actually just half a percent [inaudible 01:27:19] additional internal funds, second highest rate so base case is about 995, this would be about $1,004. So that's something that we could consider, it does help the leverage a bit. If you go to the next page, here's some other scenarios that we looked at. We do know that with aging infrastructure, with potential regulatory requirements, there is a potential that the capital plan will need to increase. This was just modeling what if it's a 10% increase every year? And you can see this is actually the second highest rate. It does actually increase leverage by about 1%, and it has the highest rates at about $1,012 in the 10th year.

Rochelle:

Another scenario, this was one that we looked at last year also was what if there is a large infrastructure project that needs to be done? What if there's a large technology project that needs to get done? Just for modeling purposes we said this would happen for the scenario in fiscal 2027 and the additional 15 million does increase the rates, sort of bring the rate to about 1002. It does result in the highest leverage and part of that is just due to the timing because it's modeled to happen in fiscal 2027, and the 10 year period ends in 2023. So it does impact that other years leverage. Another scenario that we looked at was, what if we kept with the pension being fully funded by 2023 which would include 2021, and this would result in... we thought not an affordable rate increase, the rate increase would be over 9%. That's really the key takeaway here for this one.

Rochelle:

There could have been other modeling things that we were looking at, what if we put in some additional depreciation in the outer years and it does have a modest impact on the leverage or the internal funds that are generated? If you go to the next sheet and this is where you can see it again, this is in the 10th year so this is just looking out into the future. What do these different scenarios suggest and similar to prior years there actually is not a significant difference across the various models. But I do think that they help inform decisions and recommendations like what we were talking about, should we increase depreciation and by how much? Where do we want to do with OPEB when the pension gets to a more fully funded level? As I mentioned we could adopt aspects of alternative scenarios. So our target scenario but also begin to look more at that outer years, and again it's all a balance between the ratepayers and financial stability. I'm just going to mention that in the appendix and Jennifer you just want to go to maybe page 15.

Rochelle:

Here's a lot of the details. I'm not going to talk through them unless there really are additional questions, but this shows what the leverage is doing each year, what the rates are doing. So not just in the first year but in the outer years of the model. With that unless there's any additional questions, that's the end of the presentation.

Joe:

[inaudible 01:31:34] move on we've got this resolution-

Rochelle:

Yeah, that's just... And Jennifer this is just addition... this is the detail so we don't need to go through that. There is a resolution-

Jennifer Slubowski:

Sorry, I am going down to the resolution.

Rochelle:

Okay, so you previously approved our contingency plan of doing a $5 million draw down note, this is the final resolution that we need to actually execute the documents. So, that is what this resolution is about. As I mentioned when this was previously before you, our idea is that we're just going to draw the minimum amount for tax purposes which is about $50,000. But this is our contingency plan should we need to fund additional capital programs while we're in our sort of constrained fiscal '21 environment due to COVID-19.

Joe:

Somebody want to move the resolution?

David:

I'll move the resolution. I think it's proper planning and sets us up for contingencies just in case. And I think it's prudent and a good thing to do.

Kevin:

Second for the same reasons.

Joe:

Been seconded. Any comments? Questions? All in favor?

Group:

Aye.

Joe:

Opposed? Motion carried.

Speaker 3:

Thank you.

Joe:

All right, we're moving on. We have reports on the RPB committee meetings. Who went, where, when? Anybody attend the Finance Committee meeting?

David:

I did. And they reviewed the audit. The main item of their agenda was reviewing the audit, which was what we had seen at our last meeting, and there was nothing new to that. And we also... They reviewed the quarterly reports.

Joe:

Okay, good. How about the Consumer Affairs Committee?

Suzanne:

Yeah, Joe, on the Consumers Affairs Committee, they talked in detail about one particular customer issue related to a dispute about how much they owed and how much they actually used in water and how it was resolved. There were quite a few questions related to that. Also, we had a presentation on the customer service and chief information, excuse me, at the end of the day. They also had a number of good questions related to that on PipeSafe and how we were doing all the marketing and all that kind of stuff.

Suzanne:

And I think they are, just to keep the RWA informed, I think they're curious about our plan to do this, what our targets are in terms of expectations of return and making the investment for marketing, et cetera.

Joe:

On the PipeSafe?

Suzanne:

Correct.

Joe:

Really? Yeah. Very good. Land Use. Anybody attend Land Use?

Suzanne:

I went to Land Use last night. I don't know if there was another one previous to that that someone needs to report out on.

Joe:

Is there anybody?

Jennifer:

There shouldn't be.

Suzanne:

Okay. So I went last night and we were out at Lake Saltonstall, got a history on Saltonstall. We got a understanding of what was going on with the recreation, and how much our permits have gone up, and how that's contributed to the overall revenue and robustness of the program, and that the community is taking great advantage of that. And then we went through all the real estate items. And then they also approved a motion for... Jennifer, what was the motion for?

Jennifer:

That was for the application, the non-substantial... It was a recommendation, non-substantial land use plan amendment.

Suzanne:

That's right.

Jennifer:

And modification.

Suzanne:

That's right.

Joe:

Was that the pizza night?

Suzanne:

Yes, it was.

Joe:

Did you enjoy it?

Suzanne:

Yes, I did.

Joe:

I'd think that would be the highlight.

Suzanne:

Yeah, well, that's true. When I finally got there, you know, I hadn't been to this particular location and so wasn't easy to find. But yes, it was nice and most everybody was there and everybody enjoyed it. It was a beautiful night.

Joe:

Very good. All right, moving on. We have updates. Larry, you want to... Are you there, Larry?

Larry:

I am here, and we'll have Beth give an update on COVID-19 and Rochelle will chime in and discuss a little bit on the impact of the COVID on our finances.

Beth:

Sure. So thank you and good afternoon, everyone. Just a quick update on where we are with COVID. If you remember, we had had two COVID positive cases earlier this year when the pandemic first started. And unfortunately, we had our third case this week of an employee test positive for COVID. Obviously we took immediate action and asked anyone else in the department that was in close contact to self-quarantine and get tested. We did contact tracing, and obviously, we disinfected the offices, and the entire building will be disinfected this weekend.

Beth:

So the other thing is, as you are all aware, is Larry did send out a company-wide note yesterday to make everyone aware. So while it's unfortunate, I think we are working towards some really good procedures when it happens. And part of that is our disinfection procedures. So not only are we disinfecting our buildings, treatment plants, our headquarters on a regular basis, but we do have procedures in place if there's a suspected case of COVID. That includes some sampling, some wipe testing that we can do, disinfection of the immediate area, and then starting initial contact tracing.

Beth:

So those are all some of the things that the Return to Work Committee has been working on. And as we prepare for this winter season and the increase we're seeing in the state, these practices will become more and more important. The other thing that the Return to Work Committee is doing is looking at... obviously, we welcome back our staff, we're still at about 50% in the building after Labor Day. But just looking at how we're doing, working from home and communications and things like that. So Jeanine actually held a town hall with managers and supervisors earlier this week to get their feedback on how things were going, how we could improve, and really just continue to perfect the art of working from home and balancing that with being in-office and home part-time as well.

Beth:

The other news with COVID is that we have been asked by the joint committee of Connecticut American Water Works Association and AWWA to present at their fall conferences later this month. So Amanda [Schenkel 00:06:26], who you all heard last month, will be giving an overview of the Return to Work Committee. So we'll be talking about some of our lessons learned along with our partners at Connecticut Water. So overall things are going well, but you're continuing to stay vigilant during this crazy time.

Suzanne:

And Beth, the person who tested positive, are they sick?

Beth:

Jeanine, do you want to comment on that?

Jeanine:

Yeah, no, they're doing real well, I just talked to that person today. They had a slight headache and a little aches, I guess, on Monday. And then ever since then they've feeling fine.

Joe:

These are what, the contact people?

Jeanine:

No, this is the person that actually [crosstalk 01:40:11].

Joe:

That one person.

Jeanine:

Yes.

Joe:

How many others were in close contact?

Jeanine:

We had, one two three... About... Well, when you say close contact, we really only-

Joe:

Close enough to be quarantined.

Jeanine:

Four or five other people.

Joe:

Right. What do we have in person now at the office? 50 to 100? 50, 60 people or... Okay.

Jeanine:

I think it varies by day, Joe, we're about half of what we normally would be, so probably in that range. But yeah, we have published a schedule. People were asked to tell us what days they were going to be here. And that's how we manage that.

Joe:

Okay.

Suzanne:

And, question about productivity. How are you measuring productivity of those who are working at home? And are you satisfied with the productivity level?

Beth:

Janine? You want to take that one or...

Jeanine:

Yes. So actually it's interesting because it didn't come up as a direct subject, but as a kind of related subject. We talked about how we're just now after about six or seven, eight months of this getting into, we're just starting to hear a little bit of some frustration regarding not always being able to connect with the people the way that we were used to. So we talked at length about using some tools that everybody hasn't deployed to date like Slack, and Prem's team is working on rolling out Microsoft Office Team.

Jeanine:

But I think by and large, I can speak for myself, my team's done, my groups have done amazing job. It's as if they are always available at... If they're not in the office, they've maintained amazing contact with anybody that needs to, including your internal customers and external. I think, to a leadership team member, and I'll just speak for all of you, that I have not heard of anything less than that.

Jeanine:

So I think that while we're cautiously optimistic about the future, I think that we're still going to stay in this mode at the 50%, especially as we get into the cold and flu season and there's a lot of similar symptoms, and we understand that's in addition to the uptick that's coming on. So I think that we're status quo right now, in terms of productivity. And we haven't seen any particular downfalls, right? I mean, everybody can speak for themselves, but I haven't heard that from my peers.

Beth:

And I think the other thing is when we talk about 50%, we have to remember that's simply our office staff. You know, we have all of our operators, all of our field technicians out. So I think from that perspective, while 50% is not the whole body, it's really just the office building. Most of the back office functions.

Joe:

Right? Field crews are still at a hundred percent out?

Beth:

Correct.

Joe:

They've got to work together anyway. I mean, there's no way for them to do remote...

Beth:

Correct. If you remember from some of my past reports, we have done some things to segregate groups and not have everyone come here in the morning to congregate. So we do have report work sites. Where we can, we're having field staff just report directly to the jobs in the morning. So that means taking some vehicles home and just doing that. So that's actually helped productivity from an operational perspective because we don't have that travel time loss and the congregation. So from that perspective, it's been very positive.

Prem:

And just to add a couple of other things as well. I think to Jeanine's point and Beth's point, a lot of these things along shared services, like whether it's finance, technology, or HR, those areas have been, the way I see it is pretty productive. The way you could monitor [inaudible 01:44:03] and your question was pretty point-blank on productivity itself. So if you start thinking about things like projects that we're working on, for example, or hitting your milestone, to be able to deliver what you had as milestones, for example. There's definitely a different way of working now because people are on Zoom and gathering requirements and stuff, it's not that they're in person. But what I think the productivity itself, I feel it's gotten better. I mean, in terms of flexibility.

Prem:

I think Beth made a point earlier about the travel time, et cetera not being there, it's even more better for prospect of employees. Because we did have all those challenge in the past where people that are take care of some things. Now with all the new ways of working it's gotten really better. So overall, I think flexibility and taking into account of the project work that's going on, whether it is in the field side or technology, whatever projects they are. It seems to be all are going pretty well. I mean, that's how I feel.

Suzanne:

And how about metrics and customer service? They're all still robust?

Prem:

Yeah, I think for customer care it's pretty interesting. And as a matter of fact, it's in a positive way because as you had seen the realignment as well. So we did a few things as part of the customer care.

One was the pure call handling. In the past, if you remember, we had Edwards calling service, now we take all the calls into customer care. So you could imagine, the increased level of calls coming in. And even yesterday I think, day before yesterday, we had a couple of outages. We had almost 400 calls coming in. Typically, we take around 200 calls a day, it was 400 calls and you could see the productivity there.

Prem:

And also what we did was with the realignment, we have a full collection focus now. So we have a collections team, which is very much focused on doing some of the collection activities. I know we're not doing any shuts, but we are preparing for that flood gate in December that opens up.

Prem:

So a lot of that good stuff happening. We started doing a bunch of things like the top hundred accounts. We started collecting our commercial industrial accounts with top hundred. So we're trying to do more along lines of collection activities for those accounts. So I would say it has gone pretty well, from where we are. And I know we are not passed the COVID yet, but I think we're navigating pretty good so far.

Prem:

I don't know if there are any specific questions, but I think it's in a very positive direction where we're going. We still have election now, where as you know, so we still are working through that. There is going to be a point in time we'll talk about a case where a full workforce needs to be back on, based on where we are and the workload that is coming back on, especially when we actually open up our December timelines for shuts and stuff. But I know Beth is working, I'm working, our teams are looking at it and see how we can really bring the full workforce back on. There's our financial situation as well. So everything is good. And I think so far I'm seeing it as very positive.

Suzanne:

And capital plan completion? Project completion?

Prem:

Ted, you want to take that, or anyone?

Ted:

Yeah, so we are pretty much on target, Suzanne, and getting it done. We redid the budget to look at the ten year model. We redid some of FY21 to make sure that the right projects were prioritized and brought some forward and move some around. So that's causing a little bit of a jigger, but we're on target to make the spending that we'll spend on the right projects.

Suzanne:

Okay. Thank you.

Joe:

Okay. Is that it for COVID-19? I think it sounds like we're managing through this pandemic.

Larry:

On the financial impact, we're actually doing better than expected, although there's still some uncertainty.

Joe:

Well, your receivables are up to like 30% now, or 35%.

Larry:

Yeah, that's right. That's why I had a meeting Prem and Rochelle and asked them to put together a plan to really focus on reducing the accounts receivable level. And Prem has implemented part of that by reorganizing the Customer Service Department to put a real focus on collections and have a specific group of people to focus on that. And that started this past week with outbound calls to our top 100 customers that had past due balances on, not only the commercial and industrial side, but also on the residential. And while we can't shut yet, we're finding that these phone calls many times will generate a payment, which has been great. They've had great success so far this first week. So I'm hoping to get that... The goal is to get that back down to at least a 25% range, which was our target, Joe you'll recall a few years ago. And we're going to get it back down to that, is the goal.

Rochelle:

Although, as far as-

Joe:

Revenues are up though? I mean, are sales?

Rochelle:

Am I still on? Can you hear me?

Joe:

Yes. [crosstalk 01:49:05] Rochelle.

Suzanne:

Sorry. I [inaudible 01:49:08] having technical difficulties. I would say our cash receipts are definitely still better than we expected. As you know, we expected some severe impact due to COVID-19, but we are still monitoring that very closely. We're still looking at cash every week. And was previously mentioned, there is still really uncertainty regarding what the impacts are going to be. Especially given that our budget assumed in January that we would be like a full back to normal. So we're monitoring everything closely, still looking at cash every week. But so far, definitely better than anticipated.

Joe:

Okay. All right. Moving on. The next is the presentation about the AMI benefits.

Larry:

Joe, and just...

Joe:

Go ahead.

Larry:

This is an outgrowth of... The authority had asked in prior months, what are we getting out of AMI? And the RPB is also asking that same question. So we thought it was timely now that we've had the system in place for over a year, and we're almost probably a 98% implementation out in the field, that it would be appropriate and timely for Brenda and Laura to give you an overview of the benefits that we're deriving from the AMI implementation. So, Prem, you want to make any introductory comments before Brenda and Laura proceed?

Prem:

I think, I would get Laura and Brenda to get into the details here, but I just wanted to make sure that the idea was to really have a complete view of AMI benefits. I know we talked with monthly billing in the last meeting, but this is going to give you an overview of everything that we are doing, including monthly billing. So I just leave it there. And Laura and Brenda, if you could take it away. Thank you, Larry.

Laura:

Thank you, Jennifer. Jennifer will be walking you through the slides and I appreciate your help. I'd like to introduce Brenda Valentin. She is the manager of field service, and I believe it's the first time she's been meeting with the board. She will be assisting me in the presentation.

Laura:

Good afternoon to all today. Some of the key points that we wanted to share in regards to what's gone on during the AMI deployment. So the deployment actually began in January 2017. Metersense is the dashboard that's used, it's the reporting tool that we use that was operationalized recently in 2019. Today, we have 98% of our meters have the Flexnets. That's about 114,000 accounts. We're seeing a 99% success read rate. We've been able to create actionable usage reports. We rolled out the customer portal in 2020. And we're seeing some customers are not interested in it, but very few. To date, we have 25 customers that have opted out.

Laura:

Go ahead, Jennifer. Some of the benefits that we've seen. We have reduced estimates, accurate revenues, fewer calls. We have reduced meter reading full-time employees, as well as field work orders, and we have more details in the following slides. Water Watch was rolled out to our customers on April 1st 2020. AMI facilitates high bill analysis and customer interactions. We have improved GIS meter locations, as a result of this tool. We have improved data that's used for demand forecasting, facilities planning, rate setting, and unaccounted-for water calculations. We also have the ability to identify high users in water emergencies in the event that we needed to reach out.

Laura:

Next.

Brenda:

So from an operational perspective... Oh, Hi, everybody. It's nice to meet everyone. Sorry it has to be through Zoom, but it's an honor to be here. Just to dive into some of the benefits that Laura just mentioned. When she talked about the actionable Metersense reports, these are reports that we use, we use the data that comes into Metersense. So the Flexnets provides us the reads, the reads come back into our Metersense, and then we create these dashboards with reports.

Brenda:

And some of these reports would include things like, this is just a small sample of what we're working on, we have a high consumption or continuous consumption leak report. So this would identify customers that have one cubic feet of water every hour on the hour for 72 hours. They get flagged and get into this report that we're looking at. And we're taking actions, where previously, we'd have to wait three months for the customer to get a bill or for our reads to come in before we can take action on the account.

Brenda:

We have what we would consider the low consumption or the zero consumption report. These are reports where we know there's a meter, it's an active account, but we're either getting zero consumption or very low consumption for the meter size. We can take proactive measures. We can go out and verify if it's a vacant property, we can check to see if it's a stuck meter. The New Contracts Department uses this to flag possible tampering with, with negative reads or low consumption, sometimes zero consumption.

Brenda:

The meter reading report. We can map, plot. We can handle the manual reads, which we have about 3,500 left. We can manage the meter age change process, or the periodic meter change process through the reports. Field service uses this to... We currently have about 800 accounts where we have communication problems. So these are Flexnet accounts that either are not communicating or have intermittent communications. And I'll go into some samples in later slides.

Brenda:

We monitor now both filling stations. So sometimes they'll leave it on or it's not closed all the way. And then we can monitor that and prevent some waste through the data. And PipeSafe also uses this as a way to monitor whether customers are eligible for PipeSafe programs, or for our PipeSafe customers who currently have the program with us that may have some type of leak that we can actually address proactively.

Beth:

Brenda, I'd like to add about the bulk fill stations. We actually used this this summer when we saw extremely high demands in certain areas of the service territory, and were able to limit access to the bulk fill and redirect people because it was having such an impact on us being able to manage the system. So that was very helpful this summer.

Brenda:

That's a good point. Thank you, Beth.

Prem:

I think I'll just add to what Beth said. There are real examples, the PipeSafe's another one which Brenda mentioned. And Miranda's report last week we had, again, there is based on the consumption spikes, and we have a report that tells us exactly who are the customers, and then, so we can take that and make outgoing calls with our staff. So I think there are real examples where we are able to target and do what's needed. So, AMI is really doing what it's supposed to be doing, which is great. I just want to add that.

Brenda:

Thank you, Prem.

Jamie:

I don't know if we can ask the questions, are you taking questions at this point, or do you-

Brenda:

Yeah, sure.

Jamie:

Regarding tampering, have you seen an uptick in tampering since you've implemented AMI? And I guess we don't really have a way to compare it, but other than if we just happened to catch it before. But have you seen much tampering with these new machines? And if so, how?

Brenda:

How are they tampering with it?

Jamie:

I guess I'm interested in the volume. Yeah, go ahead.

Brenda:

It's hard to gauge at this point. We don't really have anything to measure it. Previously, if we found it, great. It would be some time before we found it. Given the fact that we would get a read typically four times a year, it was kind of hard to detect. Now it's visible. It's extremely visible. So where we think there's an increase in tampering, it could be that it's been that way.

Brenda:

And it also shed some light on where we thought it was tampering, it really wasn't. So we just had a customer where, you know, low usage and we know it's a family of four, but when we investigated, we checked, the meter was tested. It's really that they just don't use that much water. And they're very aware of what they're using as far as their water consumption.

Brenda:

So it's eye-opening. We're still learning a lot from the technology, but that's just some of the things that we're learning as we go along. We probably would have more to measure in the next coming years, to see if we can decrease it with the data that we're receiving and how we're addressing it.

Joe:

How do you monitor that low or high consumption? Is somebody looking at the data daily or is it automatic? Have you got a flag so that it automatically comes out, that high consumption, low consumption at a particular time?

Brenda:

Yes, it's actually all automated. So we have what we call VEES. These are like validations in the Metersense tool where we would set the parameters. So an average consumption for a five-eighth inch meter for a single family home, what would that look like? And then if it doesn't pass that validation, it will get flagged. And then it looks at previous historical consumption. So if they had AMI for the last three years and their consumption drops dramatically for the next few months, then that's going to flag the account as well for us to investigate.

Joe:

So those come out automatically.

Brenda:

Yes.

Joe:

Is there a lot of high consumption, low consumption?

Brenda:

There's-

Joe:

Like 20 or 30 a day, or... I'm just wondering about the impact and who's looking at it and how much effort there is to investigate.

Brenda:

So we can go into that in the next few slides, if you'd like.

Joe:

Okay, good.

Brenda:

So for instance, the high consumption... Those are good questions. The high consumptions or the continuous consumptions, while we do a good amount of field investigation, there's a legal side to this, and maybe Laura, you can add to this since you've been working on that. There's communication with this new technology that we have that we have to be careful with from a liability standpoint. So we can address most of them, but until a decision is made on how we're going to handle that legally, I'm not sure how we're going to keep moving forward.

Brenda:

It is monitored daily. We have a AMI analyst who's looking at the data. We have a field service team leads who pull these reports every day. This is what we use to fill the field service workload. So if there's not plenty of appointments for the day, we'll give them a list of these accounts or reports and we'll investigate in the field. So we're working on this daily.

Joe:

Good.

Prem:

In terms of numbers, I think maybe Brenda doesn't have the numbers, we can come back on the numbers. But the point of view is there's two sides of this coin. One is to have the validations, to flag things from a authority perspective where we look at some of these variations. And like Brenda said, based on the residential meter, what is that... I would say, the parameter that's been set? We look at that and then take actions based off of that. On the other side of that is we say that this is self-service for the customer. So the customer goes on and then they just do it themselves. So they can pretty much do the similar things from their own perspective. They can set timers, et cetera, as a customer. So we are promoting that on the customer side as well. So it's happening on both sides and we can get back to you on some numbers, maybe as a follow-up.

Joe:

Yeah, fine.

Prem:

Okay.

Brenda:

Jennifer, you can go to the next slide. So here's just a sample of the Metersense tool that we use, or the reports we can manage. For instance, we have the remaining overall AMI install, which is, well it's currently about 3,500. And what we do is we can target those accounts by town. So New Haven is our biggest town that we still have about 13, 1400 accounts to install.

Brenda:

We monitor the success of the read percentage. That's daily. We have our reports for those that are not communicating. So currently we have about 826, and I'll explain why we have 826. I know some of you may ask, this is a new technology that we just installed within the last couple of years, why do we have 800? I'll explain what we're looking at when we go out there. You guys asked about the tampering. So this is just an example of what they look at. This is not necessarily the-

Brenda:

Just an example of what they look at. This is not necessarily that we have 1,058 accounts that are tampering with their meters. So what this does is this report says I have Joe from New Haven who owns 100 properties, and he's been known to tamper with a couple. We'll take those 100 properties and they'll group it together, and they'll put it in this report where we have a resource that is looking at this every day.

Brenda:

If she sees that something changes within any of those accounts, she can take actions accordingly. So this has helped her tremendously with the data that we've been receiving. We also monitor fire services with consumption. Normally, typically we don't see fire services that have water consumption. So when we see something like that, we want to go out and investigate, so we flag it. And that's some of the that work that do. Next slide.

Brenda:

The remaining installations. So we explained that we have about 3,500 left. These are our more challenging accounts. A lot of these are vacant, but we're still working hard to get these done. We're pushing for at least 99 to 100% to get this done. We're still sending letters. We had a couple of customer service reps doing outbound calls. We recently just sent out robocalls. So about 400 automated outbound calls were sent to these customers. On a daily basis, as field service are going by these streets, or working on other properties, they're leaving door tags as a reminder to call us.

Brenda:

And then one of the most efficient ways to get to these customers were the certified letters. It's a little bit of a stronger language in these letters, but they were very effective. We stopped this since COVID, but we're looking to resume this hopefully in the beginning of the year. That's for the remaining installs. And then just to go back on the 826 accounts that need repairs, this is fairly common. And if you look at the overall project, we installed over 113,000 AMI. So 826 is not that bad.

Brenda:

But especially during the spring and summers, when they're doing a lot of home repairs, they're knocking these down or damaging them, we have storm or weather damage, communication interference. Just last week, we had a customer dock his boat really, really close to the flex net, which blocked the communication to our towers. It's things like that, that we just need to be aware of. There's times where we just need to reactivate the flex net.

Brenda:

For some reason, it deactivates. And we could do that remotely most of the time, but sometimes we'd have to go out into the field. But it's not that often. And then there's wiring issues. We've seen where pets knock them down, we've seen where rodents are chewing through the wires and things like that. So these are just some of the reasons why we would need to go out on a continuous basis and do some repairs to even some new AMI devices.

Joe:

I've got one question on the 3,600 meters that haven't been turned over to AMI. They're paying a meter reading fee, extra fee?

Brenda:

No, they're not.

Joe:

They're not?

Brenda:

They're not. They haven't opted out, so they haven't said that they don't want the technology. Those 25 customers that Laura referenced, those are the customers that are aware that they're going to be charged, and are currently being charged. But these other customers either haven't responded or have responded and for some reason, we can't install the flex net. So for instance, there's-

Joe:

Would it be good to advise them that there may be a potential meter reading? Whatever you put in this letter might encourage them to allow you to come in and change.

Brenda:

I agree. I think we've had conversations about this. And as we start sending out those certified letters in January, we were talking about, do we start charging these customers and generate those cost to come? Because once they see the charges, they're going to start calling for the installation of the device. I agree with you.

Joe:

It seems like that would be the best way to get somebody to move.

Brenda:

My thoughts exactly.

Joe:

Go ahead.

Brenda:

Next slide.

Laura:

We talked a little bit about Water Watch. And Brenda, there was a question about whether we watch it all the time, and you were like, "Yeah, we're already involved in Water Watch." This was rolled out to our customers in April of 2020. We did send out communications. We sent out cards explaining the benefits of it, and trying to get our customers to enroll.

Laura:

The legality comes where you have to show everybody at the right time, that how long did you know? And how soon did we need to advise and so forth? So the discussion within the company is we're going to be looking to do a communication that makes it clear to all that this Water Watch is available to customers who enroll, that it is not an obligation of the company, that it is courtesy of the company. And that would address some of the legal concerns that have been brought up.

Laura:

So customers are enrolling. Customers are able to monitor and manage their water usage. It provides a graph and its information, historical usage, averages. It provides alerts for unusual consumption, and those alerts are designed, and those triggers are defined by the customer. And today, over 750 customers have registered so far. We will be doing more promotion on this in the coming new year, and we will be utilizing a lot of the emails we've gathered. But more emails are from customers as a result of an outreach, as well as utilizing emails that are on our customer information system, or on our [Crubek 02:10:50] solution. So we have quite a bit of emails that will trigger some mass communications to our customers in 2021.

Laura:

This is what a customer would see. So if you were to go on to the portal today, and you can do that if you go onto our website, you're able to click down and get to this portal. And this is what a customer would see once they enroll. One of the things is they can change. This is customizable by the customer, so they can determine what type of interval of data they would like to see. It also gives them their average daily usage. So the bar that's coming across the screen is indicating this is their daily usage, and how they are consuming water against that.

Laura:

On the right side of the screen, it also gives them a comparison to their previous month. So at this point in time, the customer is able to see that they are 85% of the usage that they had from the previous month’s time. So this is useful information that our customers may know. "Oh, no wonder, it's low. My kids went off to college," or, "Oh, it's high because my kids are back from college." So there are events in the home that a customer is able to explain when they see the information. The other thing is the customer would be able to change the graph to be, is it a comparison to last month? Is it a comparison to the same time last year? So it gives the customer a lot of flexibility.

Laura:

We were talking before about there's been a reduction of estimates and as well as billing exceptions. So if you notice, we went as high as 11% in 2015, the percentage of estimates, and we're down to about 2% currently on billing exceptions. And these are enforceable and things that prevent the bill from actually being mailed to the customer. 2016 was so high, about 22,000. And now, we're down to about 1,400 so far this year. So tremendous improvement in regards to the accuracy of the reads and the accuracy of the bill. And therefore, it reduces some of these estimates and improves our revenues. Next slide.

Prem:

Can I make a comment there? In terms of benchmarking, if you think about how others are performing in the peer industry, so it varies somewhere between I would say 2% percent to [inaudible 02:13:42]% in terms of the range. And as you could see, we are at par. If you look at it in terms of percentile, we are at the top quadrant and outperforming what we see.

Prem:

I know the number of customers are a little different. We're not comparing ourselves to millions of customers, but from a small and medium size, it really is the perspective. I would say that if you look at Gartner or other agencies, that they'd put in a different Magic Quadrant, we would be in the top percentile. It's just amazing, so I just wanted to add that. And the team is making more improvement as we go. I just wanted to add that perspective as well. Sorry, Laura. Go ahead.

Laura:

And again, meter reading, we have fewer meter readers. We've always had the inspector, but we had seven meter meters before. And now, we're down to one meter reader. The inspector will supplement as needed. So in the event that meter reader is out on vacation, for example, we're short and we need some help, the inspector has the ability to do that. So in effect, we're down to one meter reading. There are likewise, the vehicle reduction. So we have fewer vehicles. We have reduction in fuel expenses also.

Laura:

And these are billing related field orders. We're down to a very, very small percentage now. We used to have quite a few orders being generated as a result of the meter reading devices failing. And now we're down to less than 2%.

Brenda:

Just to add to that, Laura, the work orders consisted of obtaining a read to fix an account. It would be work orders to go back out into the field to get actual meter reads, or we would have work orders for closing of properties, which we know we have a high consumption of. Now, we don't have to do that. There's no delay in closing of a property because we're waiting on a field service to go and get a read, or meter readers to go out and get a read. We have the data, hourly meter reads now, and meter sense.

Laura:

And those property closings are as high as about 600 a month right now. So we have quite a bit of activity there. Next slide. So now, we're talking about our future of benefits. We're looking to move into monthly billing in January of 2022. We're doing the basic distribution of our billing cycles for more effective management of field resources and call volumes. That's also part of a project that's coming up.

Laura:

Proactive customer notifications based on alerts and usage of information. We have the ability to do pressure monitoring and leak detection, and we're going to have more increased operational data for things such as, for example, we're able to easily extract data consumption information by town, by zip code, by any level of information that we'd like. We have the ability to identify theft or unexpected consumption, and as well as we have the opportunity for conservation efforts.

Laura:

So we'll do more around that in the future. So, especially as we hear about droughts and situations that are happening in our service area, we would be able to respond to that with the data that we now have. That is our future state. And now I turn it over to you, our board members.

Joe:

Any questions?

Laura:

Any questions that you may have, or requests for additional information?

Joe:

Do I hear any?

Brenda:

We answered it all.

Joe:

Anybody there, members? Kevin, David, Suzanne.

David:

I'm here.

Suzanne:

I actually have a question. I'm sorry.

Joe:

Go ahead. [crosstalk 02:17:52] All right.

Suzanne:

... find that mute button.

Joe:

Good.

Suzanne:

There was a chart that you all made and I think it was for ... what project? I don't know what project it was, where it showed these blocks up the chain that said, this is what it's going to cost us. And then it showed these blocks, this is what it's going to say. What project was that for?

Beth:

Monthly bills.

Brenda:

That's monthly billing.

Suzanne:

Monthly billing. Thank you. Can we do the same thing for AMI?

Prem:

Yeah. I think we should look at the overall business case. Yes, it can be done. We'll come back here, Suzanne, on that.

Suzanne:

I don't know how urgent it is, but that was a great visual talking about monthly billing. It's like, why do it? They're added expenses, but then they are captured anticipated savings. So I think that would be a great illustration for this project, given the amount we invested in it.

Joe:

Yep. That was a good question.

Prem:

It's funny you asked for it. I remember me and Larry had a conversation, and I think that was also there that, would this chart fly? Would people like it? And that they'll have questions about it. Finally, we did it and it seemed like it was a better presentation of seeing the facts and the data, which is pretty good. And I know I'm pretty sure we can pull it the same day and come back.

Suzanne:

And there's nothing urgent about it. So you don't have to do it for the next meeting. Just I think it would be a really good illustration, especially for the RPB.

Prem:

Yep. Sure.

Joe:

You spend the kind of money we spent, you've got to justify it.

Prem:

Yep.

Joe:

I'm seeing where you reduced the meter readers, but did they go somewhere else? Are they still ... they're monitoring these daily things, that maybe you didn't lose any personnel? So it'd be a good thing to see what the actual dollars-

Suzanne:

With Laura and Brenda's presentations, it's clear there are tremendous operational advantages here. It's making your life so much easier. I don't know how you're going to measure productivity saves per se, but try to factor all that in.

Laura:

Thank you. We'll do.

Joe:

Any other questions?

David:

Just, Joe, if I could. I've said this before and I'll just say it again. I'm hoping that there's some way we can monetize the convenience for the customers to this. The leak detection, alert notices, they're $2 a month. If we set you up for alert, or I don't know. But I know that I have heard of things like this. We've talked about this. I know you folks are working on it. So just a reminder that I haven't forgotten.

Joe:

Good.

Prem:

Thank you, Dave. That's a good point.

Joe:

Well, very good. Well, thank you, Laura and Brenda and Prem for a good presentation.

Brenda:

Thank you. It was nice meeting you all.

Joe:

Thank you.

Laura:

Thank you.

David:

Thanks, Laura.

Laura:

Bye.

Prem:

Thanks. Bye, bye.

Joe:

Goodbye. Moving on, we have ... I don't know what we have for our other, but ...

Larry:

Joe, I'll provide some updates and then Ted Norris will follow me with some dealings that he's had with the Department of Energy and Environmental Protection.

Joe:

Good.

Larry:

Jennifer, if you could pull up the report please, the September board letter. So I'd like to take a few minutes to highlight some key points from my September board letter. My first four updates for September, they support three of my strategic priorities, while the fifth one is aimed at reducing rate increases by pursuing strategic grant opportunities.

Larry:

First in September, I re-introduced regular Good to Great sessions with the leadership team. These meetings are in addition to my newly reconstituted leadership team meetings, and are part of my ongoing commitment to build better communications, unity and trust among the executive team. So at the September Good to Great meeting, we began discussing what the RWA of the future would look like in 2050.

Larry:

And of course, in advance of that half day workshop, you shared your views of the future of RWA with our facilitator, Gene Buccini. So your input was aggregated and included in our Blue Sky visioning discussion, which covered RWA's future purpose, workplace culture, as well as mega trends and opportunities for growth. And we plan to share our initial findings and provide you with a glimpse of our 2050 days at the November strategic planning committee meeting.

Larry:

Second, as part of our next steps in the potential acquisition of a Connecticut-based water testing laboratory, we have established an internal team which meets weekly with me to track our detailed project plan and timeline. And we'll provide a brief update on that progress during today's executive sessions. Third, as I have previously reported, we are working with Amman Advisors to help us mature our existing market-based initiatives, as well as identify new business areas of focus, and discover potential accusations or partnership arrangements.

Larry:

So as part of this strategic work, we have analyzed some target segments, prioritized top non-core areas for emphasis and develop a high level strategic roadmap and timeline for priority initiatives. We're on track to share our strategy to grow the non-core segments at the December non-core committee meeting.

Larry:

So staying on topic of business development, we are actively working with a professional recruiter to find a director of business development that would report to me, and this individual would be focused on increasing the RWA's non-core revenues by identifying profitable business opportunities and developing longterm business growth strategies. And a successful candidate will also lead our acquisition efforts in target sectors that meet the RWA's enabling legislation requirements.

Larry:

So to date, I've interviewed two candidates with strong experience, and the membership team met in groups to conduct second round interviews with one of the candidates. And beginning next week, will be scheduled for second round interviews with the other seasoned applicant.

Larry:

Finally, as another way to offset rate increases and fund the capital program, I initiated a conversation with a professional grant writer to help us pursue financing opportunities for our capital program. In addition to the Drinking Water State Revolving Fund grants that we regularly secure to reduce the cost of debt or receive grants, we are engaging a professional grant writer that will allow us to pursue strategic grants on the federal level, that could include financing prospects with the EPA, FEMA and the US Army Corps of Engineers.

Larry:

Rochelle will take the lead in working with the grant writer, and will talk more about ... and actually mentioned that today, as part of her tenure model discussion. So those are the highlights of my September board meeting. But before we move on, I'd like to show you the crystal Association of Metropolitan Water Agencies 2020 Sustainable Management Award that we received recently. It's absolutely gorgeous. And you may recall from my previous communication that I shared with you in the RPD in September, that we were recognized by AMWA for our commitment to responsible management that achieves a balance of innovative and successful efforts in the area of economic, social and environmental endeavors.

Larry:

So this prestigious award is yet another example of the hard work and dedication of the leadership team and others in the organization who work relentlessly to provide reliable, safe drinking water, and protect our environment. And I'd like to give a big shout out to Ted and Prem for leading the small work team who compiled the award-winning application. That completes my update for September. And let me know if you have any questions.

Joe:

Any questions, anybody? But again, congratulations on the award.

Larry:

That was a great, great effort on the part of the team.

Kevin:

Congratulations.

Prem:

Thank you, thank you.

Ted:

Thank you, thank you.

Larry:

So with that, Ted, you want to talk about some of the discussions you've had with DEEP?

Ted:

Yep. There's the good news and not so good news discussion, but the not so good news is not bad. Last month, you remember we talked about our discussions with DEEP and the diversion permit at our North Cheshire wellfield that's been outstanding since 1994. They've never acted on it. They want it. They're in a program now to get their outstanding diversions done, coming from the commissioner.

Ted:

And they talked to us and you remember, we talked about it, that they wanted to do it via a consent order, which we did not want to do because that implies that we had done something wrong. So we suggested they go back and look at a notice of insufficiency on the 1994 application. And they got back to us just about a week after we met and said that they would consider doing that way. Not consider, they will do it that way with us, which is great news.

Ted:

So with the great news comes a big task force now. Now, what we've put together with them is a process where they would not issue that notice of insufficiency until late December. That gives us time to work with DEEP to determine what we need to submit, what we think we need to submit in order to make that 1994. It's not really bringing that application up to speed, it's literally bringing a brand new application in on top of that. You can't go by the old rules, so we're in the new rules.

Ted:

They asked us to submit what we thought we needed to supply them with. We have done so. That includes something like a long range conservation plan, reasons for and evidences of why we need the diversion permit, environmental information, hydraulic information and the like. There's quite a bit of information. So we submitted that to them. Our list we have in our backup just went out last week. We expect to hear back. They've actually been fairly responsive, so we expect to hear back from them next week.

Ted:

And then by regulation, after they submit the notice of insufficiency, we have four months to get our application submitted and in order. And they put the words on it, substantially complete, which means they want pretty much everything. But there is room for maybe some things to lag behind. Four months is not a lot of time to put a large application like this together, so we are working with WSP, our environmental and welfare consultant. You might've known the old name LBG, and they are putting together a proposal for us to get this done in the timeframe that we have.

Ted:

So it's good news in that respect, but we have a lot of work ahead of us. John Hudak is going to be leading the effort. He's a good man, he'll get it done. And interestingly, they talked to Southinton who was in the same boat. Southington is going the same way, and Dave [Zabatnauch 02:30:11] talked to Meredith who will have the same, apparently have the same option because Southington pushed back as well. So it was a little bit of combined effort from our municipal neighbors, but it was really a big effort by Beth Martin, John Hudak and others in the group to push back with DEEP. That's good news. No consent order, notice of insufficiency. And here we go. Any questions on that?

Ted:

The next item up regarding DEEP then is we got a notice of significant non-compliance from them in late September. And that involved the lack of submission of two discharge monitoring reports for the Lake Whitney Water Treatment Plant. The two reports were for the center fuse discharge into the sanitary sewer. So when we inquired to exactly what they were looking for, what the non-compliance was for, they told us that it was those two particular permits that hadn't been submitted on time, which they recognize, but have not been signed. So they were not processed by DEEP.

Ted:

Now that's our fault. We admitted it. We took care of it immediately. Actually, it was taken care of before we got their notice, and they have now recognized that we have set that in. They say that unofficially, we are now in compliance. Their paperwork hasn't caught up with that, but so it's been taken care of. And when you get a notice of insufficient or you get a non-compliance from DEEP, you act on it and you do whatever you can right away. Because if you don't, they can bring penalties and whatnot down on you. So we work well with them and we're taking care of it.

Ted:

And then we have made some changes to the process to ensure that that does not happen again. So the applications or the district permits will be signed, and then we will go into their system to ensure that they have been accepted and that they are in process, versus waiting to hear that they've been approved or not. So a little bit of a sudden increase in our blood pressure and we're back to normal now. So any questions on that? Okay.

Larry:

Thanks, Ted.

Ted:

Yep.

Larry:

That completes management updates, and we're ready to go into executive session for a couple of confidential updates.

Joe:

All right. Is there a motion? Somebody want to make a motion to go into executive?

Kevin:

Moved.

Jennifer:

Should Jamie leave or should she stay?

Larry:

Yes, that would be ... we should excuse Jamie.

Joe:

Good bye. Good bye, Jamie.

Larry:

Good bye, Jamie.

Jamie:

Good bye, guys. See you tonight.

Rochelle:

Bye.

Joe:

All right. Good. Is there a second? Are we all here?

Kevin:

I'm here.

Joe:

You made the motion.

Kevin:

Yep.

Joe:

David?

David:

I'll second it.

Joe:

Okay, good. Thank you. Well, that was hard.

Suzanne:

Yes, sorry.

Joe:

[crosstalk 02:33:21].

Suzanne:

The mute button thing, I can never find it when I need it.

[AUTHORITY WENT INTO EXECUTIVE SESSION AND 3:04 P.M. TO 3:32 P.M., AT WHICH TIME THE MEETING ADJOURNED.]