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

October 19, 2020
Meeting Transcription

The regular meeting of the Consumer Affairs Committee of the Representative Policy Board of the South Central Connecticut Regional Water District ("Committee") took place on Monday, October 19, 2020, via remote access. Committee members present were N. Campbell, S. Mongillo, F. Pepe, and R. Smith.

Also present were P. DeSantis, B. Eitzer, B. Harvey, C. Havrda, J. Oslander, and M. Ricozzi (RPB), K. Curseaden (Authority member), J. Donofrio (Office of Consumer Affairs), L. Bingaman, L. Gonzalez, R. Kowalski, B. Nesteriak, and P. Singh (RWA), and J. Slubowski (RPB Staff).

Stephen:

Yeah. He said he was going to be. Well, we can start. Hopefully we'll get another one during the portion of the meeting where we need to approve things for consumer affairs. Good evening, everybody. I'd like to call the October consumer affairs committee meeting to order. First item on the agenda is the safety moment which Jennifer has put up, all good tips, especially smoke detectors which are very easy to forget about, but really important. Thank you, Jennifer. Item two is the 10 year model [inaudible 00:04:47]. Rochelle Kowalski is going to do that. Rochelle, would you want everybody to hold questions till the end or...

Rochelle:

I think you can ask questions as we go along and I think Larry, do you want to say a few introductory words?

Larry:

Yes, I would, and maybe we can flip to page two of the presentation. Rochelle, if we're taking a look, if you look at the 10 year model this year and [inaudible 00:05:20] review of the things that she has normally such as the underlying assumptions, components of increases. The capital planning update will be a little bit different discussion. Beth and Ted Norris along with Lisa Burns, who's the director of operations, have taken a look at our capital budget and looked at the realigning it a little bit, grouping projects together to make a larger project. While the capital program for projects will be a little bit larger, we'll be able to get more done actually. Of course, she'll review leverage and then the opportunities and vulnerabilities going forward.

Larry:

This year, we're using a base case and then we'll be making a recommendation of where [inaudible 00:06:12] and come in for our next rate case so, we'll be able to have a target that we'll be shooting for depending on the economy and other such variables from there. Then, of course, we'll go through next steps and then we have some sensitivity tables which we will not go through in the back. With that, Rochelle, I'll turn it over to you to run through the model.

Rochelle:

Okay. So, Jennifer, we're on page three, and I do want to mention to everyone, the plan is to go through the PowerPoint, not to go through the actual detail of the model that was also distributed, but if you do have any questions as we talk through the base case or any of the scenarios including the target that Larry mentioned, definitely feel free to ask those questions. Actually this year, even with the base case, I would really call this a modified base case. When we went through what perhaps ordinarily would have been a base case, the upcoming rate application would have been in excess of 7% so we said that is not acceptable [inaudible 00:07:32] to get the upcoming rate application under 7%.

Rochelle:

Even in the modified base case, the outcome, which I'll touch upon in a few minutes, is just under 7%. Key assumptions were the rate stabilization fund stays at $10 million. Coverage also remains at 114%, and for the rate stabilization fund, even in years through the model, this is consistent with previous years' models. If there is a draw, the assumption is that draws are replenished basically at the end of the year to keep the rate stabilization fund at $10 million throughout the planning horizon. The group fund is assumed to be utilized to fund non-core capital projects and after we meet our required reserve requirements, the excess is assumed to go into the construction fund to offset the [inaudible 00:08:48].

Rochelle:

Another key assumption in this modified base case is we are using some excess above $10 million that is in our general fund to help offset the upcoming rate application. Just to put this a little bit more in perspective, you might recall at the end of fiscal 20 as part of our year-end disposition, we did make a conscious decision to put some additional monies that we had into the general fund, and the reason that we put it in the general fund is the general fund allows us the most flexibility while keeping the monies within our general bond resolution, which is what the rating agencies look at. When the money is in the general fund, it could be used for any lawful purpose. Again, that gives us the most flexibility. The model is based on our current projection for year-end fiscal 21 so some of that excess that we put into the general fund at the end of last year is going to be used to meet the shortfall that we're still projecting in fiscal 21, but the remainder we do have being applied primarily for the upcoming rate application to help mitigate the increase.

Rochelle:

Again, to put this in context, we do need to keep in mind that based on our current plans, there's a two and a half year period that will be between our last rate application that was effective in July of 2019 and our projections for the upcoming rate application to be effective in January of 2022. So, using those excess funds was a key assumption. From a revenue perspective, we didn't think that it made sense to use our revised fiscal '21 budget to project fiscal '22 into the outer years. We thought it was more appropriate to use our original fiscal '21 budget. That was the basis to project into fiscal '22 and beyond. Also, from a net non-core perspective, this base case or any of the sensitivities don't include acquisitions. We wanted to keep the model sort of clean from trying to estimate what the impact of particular acquisitions might be so, that is potential opportunity over and above the base case and the scenarios that you're going to see.

Rochelle:

From a financing perspective, we are assuming that we're going to get five additional Drinking Water State Revolving Fund loans and grants within the period that we're looking at. This is important because for all our DWSRF projects other than the last [inaudible 00:12:12] of AMI, it does mean that we're going to get monies that will reimburse our capital expenditures at a low interest rate plus the grants. We do have five DWSRF projects assumed within the model. As Larry mentioned, and we'll talk about in a little bit more detail shortly, there is a fully-updated capital improvement plan that went into the model, and there was a lot of effort by Beth and Ted and Lisa Burns and a whole team of individuals that really did a rigorous review of the capital plan, and again we'll talk about that a little bit further shortly. The rate applications are still assumed to be every 18 months within the model.

Rochelle:

Assumptions on expenses, for the most part we used the Congressional Budget Office 10 year projections, they were published in July of 2020, however there are some exceptions, for example, what we used for pension and we'll get into more of the detail shortly. We assumed that the pension would reach fully-funded at the end of fiscal '25, that is versus the end of fiscal '23, but that is consistent with last year's model. Again, to put this into perspective, to keep with fully-funded by the end of fiscal '23, we would have to contribute just under $6.5 million this year as well as in the next two years so we thought that was beyond our affordability threshold. Consistent with last year, we're projecting to be at the fully-funded level by the end of fiscal '25.

Rochelle:

For medical and OPEB, we're using increases consistent with what the actuary uses for medical and for OPEB, we're using that in the early years, but when I talk in a little bit more detail about the base case, we'll talk about how we varied OPEB when pension reached its fully-funded level. For depreciation, we [inaudible 00:14:34] $1 million, except when the pension reached its fully-funded level, and again, some more details to follow. Those are our fundamental assumptions. If we go to page four this is where we really see what the impact is on our rates.

Rochelle:

A few key points here. You can see that over the planning horizon all the way through fiscal '30, our projections still keep the price per gallon at approximately a penny over the entire 10 years. You can also see that our projections through fiscal '27 are under 6%. That is an improvement from our last year's base case. For example, even our fiscal '30 projection for the rate level is actually just slightly lower than what our fiscal '29 projection was. Again, our projected increases through fiscal '27 are all less than 7% and that's also an improvement from what you saw last year.

Rochelle:

Moving onto the next page, this is where we look at the key contributors of the rate applications. First, focusing on the January '22, which would be our upcoming rate application, you can see the biggest driver is actually the orange bar or the orange part of the pie, and that's revenues. That is the largest driver primarily because the last rate case was in July of 2019 so we're now two and a half years out and we are assuming year over year the 1% decline. You can also see that another driver, unfortunately, is an interest income. We are projecting and we got information from Acacia, our financial advisor, to expect that the short-term interest earnings will be at a quite low level. Basically their input was to not assume any increases over the next few years and then just some gradual increases. The decline in interest income is having an adverse impact.

Rochelle:

We're also using, however, the general funds to reduce the O&M. The O&M change since the last rate case is lower than it would have otherwise been. The assumption is that we'll have just under $1.6 million available to offset the O&M expenses in our next rate application. Again, we would only do that if the circumstances suggested that that was required. If our revenues are higher or if our expenses come in lower, they'll not have to use those additional general fund monies. July of 2023 we think that O&M has a larger impact and that's because of the [inaudible 00:18:06] that offset that we had. Back to the prior slide, Jennifer, page five. The O&M is a larger impact as we don't have that offset from the general fund. Also, debt service is one of the primary drivers of that case as well.

Rochelle:

In January of 2025 we have the favorable impact because the pension is assumed to reach the fully-funded level in fiscal '26, which has an impact on that January of 2025 case. It also has an impact on the July of '26 case as well and we're going to get into this in a little bit more detail shortly, but at the time that the pension reaches its fully-funded level, which results in a significant reduction in our contribution requirements, we would use that opportunity to increase our OPEB contributions as well as we would have this one-time opportunity to increase our depreciation above the million. It's baked in. Again, I'll talk about that in a little bit more detail shortly. The pie that you see on the right is the makeup of the January '22 rate application based on the current projections. Of course, that's the focus because that's the upcoming rate application.

Rochelle:

Moving onto the next page on page six of the PowerPoint, this was alluded to earlier. There was a thorough review of the capital that went into this 10 year model, a lot of work by a number of people to really do a deep dive. This incorporates what's referred to as the three R's now, risk, resiliency, and redundancy, and I think you might if you haven't already be getting a presentation on that. In the capital plan detail that we used, there was a new structure [inaudible 00:20:30] more detail so it actually includes what the source of supply is, what the service area is, what the activity is, and by activity we mean capital associated with regulatory compliance. Is it associated with system expansion? Is it associated with rehabilitation or an upgrade? This really helped the team to have more clarity regarding if the allocation of the capital dollars was really meeting the objectives.

Rochelle:

What was mentioned a bit earlier by Larry is this more holistic approach will result in larger system projects that will meet multiple objectives. This will have, we believe, an impact on the number of the size of the applications that go before the RPB. It's expected that the projects will be larger and based on the scope of the projects are expected to have larger contingencies. We also think this approach will result in capital efficiencies including the bundling of projects to get better [inaudible 00:21:50], the project administration and management and coordination will have efficiencies based on combining, as appropriate, certain projects. A key thing that I wanted to mention about the capital program that we use, it does only include projects that are certain so, not all infrastructure projects or technologies that came up through discussions are included. For example, rehabilitations that have a low consequence of failure are not included within the 10 years. Also, capital that we may need associated with not yet promulgated regulatory requirements are also deferred. That is some possible upside pressure to the capital plan. Also, technology projects that are not yet definitive also were not included.

Rochelle:

Really, this is known certain projects. It does include critical infrastructure projects. It includes not just was the dollars well thought through, but the sequencing of how the projects fall within the 10 years was also well thought out by the team that worked through this. Beth, if you could like, do you want to provide any additional comments regarding the capital planning?

Beth:

Sure. Thanks, Rochelle. I think Rochelle did a nice job explaining it. It was definitely a new perspective we tried to add to the capital budget, and really to make sure we're building projects that achieve multiple objectives and looking at things a little bit more holistically from a source to supply perspective. I think it was well worth the effort and I think you'll start to see those applications come through in a little bit larger scale so we can achieve multiple areas of work under one project.

Rochelle:

Thank you. I think Jennifer we can move onto page seven. As you know, leverage is another key focus area. We also look at what our leverage is projected to look like over the 10 year planning horizon. We are going from what was approaching 100% in 2009, in 2021, we're projecting to be about 86%, and in 2030, we're projecting to be about 75%. Here again, this is an improvement from last year's 10 year model where in fiscal '29 we were projecting to be about 78%. However, we do need to keep in mind that this is illustrative projection so the actual ratio will depend on what the actual mix is of the capital. Technology projects tend to have a shorter life and therefore a higher depreciation.

Rochelle:

Also, over the 10 year horizon, the net utility plan is increasing by more than the debt. That's a good thing. That's why the ratio is actually decreasing. You can see in the details of what was sent out on that leverage sheet, in fiscal '21 we're projecting that debt will be about $545 million. At the end of the 10 years, we're projecting that'll actually be down to $538 million, however, based on our projections it will peak in fiscal '25 at about $591 million. Although the ratio debt to capital will be declining, there will still be a peak within the 10 year horizon that's above our current debt level. Of course, again we're watching this closely, and I should mention that these ratios are solely debt to capital and they are unadjusted for unspent bond proceeds so what that means, because as you know we finance in advance. At the end of any particular fiscal year, there could be unspent bond proceeds that are in place to cover the capital program for part of the next fiscal year.

Rochelle:

The other I think positive aspect about the base case model, it does generate about $139 million of internally-generated funds over the 10 years, and that's up about $10 million from what our base case was last year. Slowly going in the right direction, and again, this is illustrative, but being able to go from about 86% to about 75% in about a 10 year period.

Rochelle:

Moving onto the next page. This is both opportunities and vulnerabilities, and so, what we're trying to demonstrate here is the kinds of things that could impact either favorably or unfavorably this base case. I mentioned regulatory requirements that could put pressure on the capital program if there's new regulations that require a capital investment. From I think more of an opportunity, we get additional DWSRF, low cost loans and grants that will actually help. We did put in only applications and projects that we have a high confidence that we'll be able to achieve and actually get the DWSRF financing. The interest rate environment is another potential opportunity and vulnerability on the interest income side. If the interest rates increase, that could actually be an opportunity there.

Rochelle:

The flip side of that is if there's an increase in the costed debt, that will actually have an adverse impact. A refinancing is definitely another opportunity. We did not build in any further refinancing into the modeling, and we are monitoring still opportunities for refinancing. As you know, we've done some taxable refinancing and that has resulted in some considerable savings historically in the last couple years. We are working with our financial advisor and actually one of the underwriters that periodically gives us updates on the market environment. We're cautiously optimistic that there will be refinancing opportunities, hopefully even this year. We'll see. Another area that we're actively pursuing is if we get grants other than just Drinking Water State Revolving Fund grants, that will [inaudible 00:29:34] the debt financing requirements on our capital program. Potentially maybe they'll be a core engineer grant or some of the other grants that may be available from the federal government. That's definitely a focus that we're looking into.

Rochelle:

On the operating expense side, I think as we go through the rest of fiscal '21 into the fiscal '22 budgeting cycles, we'll be looking at the expense levels on the O&M side because to the extent that we can mitigate our year over year increases that will have a favorable impact on the rate increases. Of course, from a revenue perspective, non-core growth, both organic and non-organic, the percentage of bill collected is actually another risk and opportunity, hopefully more of an opportunity. We talked about the expectation that when we go to monthly billing that there will be an increase in the collection percentages because of the more affordable monthly bills versus just getting a quarterly bill. Billed consumption is also a risk and an opportunity, and that's also weather driven. If we have a cool, wet summer that could have an adverse impact versus a hot, dry summer. Possibly increases in the wholesale through wholesale and interconnection. Those are the key opportunities and vulnerabilities that could impact our projections over the next 10 years.

Rochelle:

Before I get into the next page, maybe I'll stop and see if you have any questions and then I can get into a little bit more about the base case as well as the target and other sensitivities that Larry had mentioned earlier. Moving onto page nine. A little bit more about our base case. This does have our January 2022 rate increase at under 7%. As I mentioned, it is just under $1.6 million of excess monies in the general fund to offset the O&M that would otherwise be in that rate application.

Rochelle:

Also, instead of doing this as a separate scenario, which we've done in the past, within our base case we did increase depreciation and we did increase the contribution to OPEB at the time that the pension reaches its fully-funded level. We increased depreciation $500,000 so, instead of putting just $1 million into January 2025 rate application assumption, we put in $1.5 million for this modeling and then in the July of 2027, we actually put in an additional $1 million which would be a total of $2 million. The idea there is to use this one-time opportunity when the pension contribution significantly goes down to really increase our depreciation that's in rates, and that will help us increase our internal generation of funds and it'll also help to improve our leverage.

Rochelle:

This is also an opportunity to really bump up our OPEB contribution to get that plan in more appropriate funding level. We put in an additional half a million, and then an additional $1.2 million. [inaudible 00:33:50] here, what we actually do when we get close to this time. We can change the mix or the amounts based on the then current circumstances, but I think based on previous conversations, we'd want to use the opportunity to increase our depreciation, and also to increase our OPEB contributions. In this scenario, we used the capital improvement plan as input. We didn't make any reductions. As I mentioned, the leverage was at 75% at the end of the 10th year and internally generated funds were approximately 139, but then we said under 7%, especially just being just under 7%, we should try to do better. Our target is actually at the top of page 10. Our target is to actually get the next rate application to less than 6.5% for water.

Rochelle:

This will take some doing, but this is what we're going to strive for. We were able to model this by slightly lowering the O&M, looking really closely at areas like outside services, some of the other areas that we tend to budget higher than our actuals come out to be. By just slightly modifying and lower the O&M, that helped get us to less than 6.5%. On the capital, we did make a slight adjustment in that we did eliminate in fiscal [inaudible 00:35:42] and fiscal '23 basically the 1% contingencies, those over and above contingencies that were put into our capital plan. We made a little more aggressive assumption on pilot, and although we really don't control pilot, we definitely, especially John Triana, really looks at all the assessments that come in, make sure that they're reasonable. We do push back if we don't think the assessments are appropriate. [inaudible 00:36:14] be a little more aggressive in what we think the pilot increases are going to be.

Rochelle:

The other things that will come into play, as I mentioned earlier, fiscal '22 is based on our projections based on where we're going to end at fiscal '21. If we do have a better than currently anticipated fiscal '21, we'd actually have a higher year-end disposition that we can actually use to offset the financing and the next rate application. That's something that is possible and that will be helpful to help us reach the target. Again, keeping in mind that this is two and a half years out to have our next application come in at less than 6.5%. In scenario five, that was really our target, really taking our modified base case and seeing what we could do to get the next application at an even more affordable level. Scenario six was really focused on, and this is when we get into more of our multiple sensitivities, was really focused on looking at the outer years, primarily fiscal '25 through fiscal '30.

Rochelle:

The primary driver here was looking at some of the workforce mix and other considerations, what benefits might look like in those outer years. I think as we look back, we'll probably incorporate some of those savings as we look out into what we really think is going to happen in the fiscal '25 and beyond but again, our focus was more closely in the near term because it's a little difficult to project out beyond a couple of years.

Rochelle:

We also wanted to, as we talked about and got input from both boards, we wanted to incorporate different scenarios including some of the ones that we looked at in the past. Scenario two, we looked at, what if we increased depreciation as a way to generate more internal funds, and you can see that based on our assumptions here, increasing depreciation did result in the second highest rates. The last year was about $1,004. It did generate $3.3 million in more internal funds, but interestingly it only changed leverage by about half a percent in the 10th year. These are some of the tradeoffs that we look at is, is it worth putting additional depreciation into the rates. It improves leverage a bit, but does that make sense given the rate impact. The rate impact would be $1,004 versus for example $995 in the base case or $991 in our target. That does give you order of magnitude of what those changes would result in.

Rochelle:

If we go to page 11, these are again some additional scenarios. What if our capital we did need to increase our capital program? That would result in actually the highest rates at about 112 in the 10th year, and it would actually result in an increase leverage at the end of the 10th year of about 1%. We also looked at, what if we have a large project, could be a large infrastructure, could be a large technology project. We modeled this in fiscal '27. This was a similar scenario that we did in the last year's model. This would the third highest rates at about $1,002. It does generate a little bit more of the internally-generated funds. The increase here in the leverage, which was about 2% in the 10th year at the last year of the planning horizon is really driven by when we assume this capital, this [inaudible 00:41:05] capital would be required. [inaudible 00:41:09] to the end of the 10th year, it did have a 2% increase on the leverage.

Rochelle:

Also wanted to look at what if we stuck with our pension reaching fully funded in 2023. Way back you might recall we were striving to get to fully funded within seven years. The last year would have been fiscal '23. This, however, would have resulted in an increase of over 9% in the next rate application so we said that's above the affordability. It really doesn't make sense to have these very very significant pension contributions. Again, as I mentioned, it would be just under $6.5 million for three years so, we thought it was more prudent just to elongate just a little bit the timeframe to get to the fully funded level.

Rochelle:

Moving onto the next page, page 12. This is really a summary of the seven scenarios that we worked with. Consistent with prior years, you can see that there's actually not significant changes even in the rates across the different scenarios. We do think that the scenarios do really help inform decisions, like as I mentioned, if putting more money into depreciation when the pension gets to fully funded or putting more money in the OPEB, using the general fund to help offset O&M in a upcoming rate application. Also, we can adjust our approaches based on the then current circumstances. Who would imagine we would be in a COVID-19 scenario now? That's definitely impacted our approaches. As I mentioned, it's really a balance of the rate impact on the customers with financial stability. For example, if we made significant increases in our depreciation in a upcoming rate application it would definitely have an adverse impact on the rates. Those are really the tradeoffs, and again, this depicts in the 10th year what the different scenarios result in.

Rochelle:

Moving onto page 13, as far as next steps, we are going to continue to focus on our execution against our strategic plan. We'll continue to look at ways to mitigate debt service by pursuing not just DWSRF grants, but other grant opportunities, continuing to look for refinancing and continuing to use alternative financing vehicles when that makes sense, continuing to revenue enhancement. Could be non-core, could be just focused on cash collection, wholesale and interconnection opportunities. Continuing to look at prudent cost management and process efficiencies, workforce engagement, asset management, and also continuing to evaluate our O&M and capital spending levels.

Rochelle:

As I mentioned, we're continuing to monitor fiscal '21 in results and that will have the impact on our fiscal '22 budget, which will also have an impact on our upcoming rate application. We'll be able to incorporate where we are in fiscal '21 and that will help us make decisions about the upcoming rate application in the fiscal '22 budget. Of course, continue to communicate to all stakeholders.

Rochelle:

I'm not going to go through the appendix. This is just a snapshot of the different scenarios that we looked at, and it shows key statistics over the total 10 year planning horizon. Questions?

Stephen:

Questions for Rochelle?

Brian:

Rochelle, this is Brian [inaudible 00:45:51]. You said in the very beginning that everything is based on the original fiscal year '21 projections, not the projections that we are dealing with COVID and how that has impacted. Is that correct?

Rochelle:

We used the original fiscal '21 to forecast fiscal '22 so, like a more ordinary revenue level because our fiscal '21 revised budget was a significantly reduced revenue level so, we didn't want to project that foreword. Then on the expense and the O&M side, our revised budget was significantly reduced as well and we didn't think that was a good basis to project into fiscal '22. That's why we went back to the original.

Brian:

Okay. That's what I thought but I just wanted to make sure on. The other question that I had was in terms of one of the impacts that could really changes things is the regulatory requirements. Do we foresee that there might be some regulatory requirements coming down the road? I'm thinking PFAS cleanup, standards being enhanced.

Rochelle:

That could be. It could also be like Lead and Copper Rule, additional requirements. That could present some additional pressures, actually both on the operational side as well as the capital side.

Brian:

Okay.

Stephen:

Rochelle, you actually experienced an increased revenue, correct, than what you thought you might?

Rochelle:

An increased revenue...

Stephen:

For this year, for the current.

Rochelle:

Yes. For this year, yes, we are doing better than we had expected so far so, we've been able to improve our forecast. That's one of the key reasons we're now envisioning we'll have some access to general fund monies available to offset O&M in the next rate application. As you know, there's still a lot of uncertainty with what's going to happen, and we did assume a full back to normal in January of 2021.

Stephen:

The model is a great planning tool, obviously very complex and a lot of variables. How often do you sort of visit this in terms of really kind of using it?

Rochelle:

As far as the complete update, we've done that annually, including looking at the different scenarios. We have also used it on an interim basis. If there's a question about... if expenses go up by so much what the impact might be on the next rate application. We have also used it on an interim basis for particular things that might have come up that we could assess what the impact is. We also use it... When we go through the budgeting process, we'll have a fuel now based on how the fiscal '22 preliminary submissions come in, we'll have a good feel for what that might mean for the upcoming rate application.

Stephen:

Yeah. It struck me how interconnected everything is.

Rochelle:

It's very interconnected.

Mario:

Question, Steve?

Stephen:

Sure.

Mario:

This is Mario. Hi, Rochelle. Thank you very much. Did you say early on that there is no customer information system budgeted at all in this.

Rochelle:

The CIS ACIS upgrade is not part of the capital plan. There's a couple different scenarios that we're looking at, which is one of the reasons because it wasn't definitive that we didn't put that in. We did do that sensitivity however which could be a technology project or it could be an infrastructure project.

Mario:

Okay so, you didn't even keep a base amount.

Rochelle:

Not for the upgrade itself.

Mario:

Okay. Very good. Thank you.

Stephen:

Rochelle, this is Steve again. As things change and one of these variables plays out, does this sort of help you go to where it may have an impact and deal with that, or do you wait to see, you wait a longer period of time to see how all of these things are playing out?

Rochelle:

I would say, no, we don't want to wait a longer period of time so, if there is something that's a decision that we could make or modify, we'd like to see what that impact is before we actually make that decision. If it's something, I'll use the Great Hill Tunnel as an actual example, there it was an emergency. We actually used the model to assess what the impact was going to be.

Stephen:

Oh, okay. That's a good use of the model because that was a good example of what may happen that. you didn't anticipate.

Rochelle:

Right.

Stephen:

Okay.

Rochelle:

Right.

Stephen:

Very nice presentation, Rochelle. Thank you.

Rochelle:

Thank you. I know there was a lot [crosstalk 00:51:40]

Stephen:

From members? No? Okay. Very good. If we have any... I guess we'll bring them up at the meetings because there's a lot to think about.

Rochelle:

Yeah. There is a lot to think about.

Stephen:

Appreciate it very much. Thank you. Item three on our agenda is the approval of the minutes. Do I have a motion?

Rich:

Motion to approve.

Stephen:

Okay, Rich. Thank you. The second?

Frank:

Second, Frank.

Stephen:

Thanks, Frank. I'll give everybody a second. If they haven't looked at them, are there any corrections, omissions, additions anybody wants to make? Hearing none. All those in favor?

Group:

Aye.

Stephen:

Any opposed? No. Motion carries. Jennifer, I did get your note. I understand we have a quorum so, thank you. Item four is a report of the OCA. Jeff, we didn't have any new cases last time or any now.

Jeff:

No. At the last meeting in September I reported on the resolution of the Clark Commons complaint. That's been closed out with an accordant satisfaction letter acknowledged by the representative, Mr. Malcado of Clark Commons. There are no pending consumer complaints.

Stephen:

Oh, terrific. Thank you. We appreciate that. Very well. Any other comments you'd like to make?

Jeff:

That's it for me. Thank you.

Stephen:

Any comments on the financial model?

Jeff:

Well, I think the authority obviously puts a lot of work into it and the key word is balance because it might be tempting to take some aggressive measures to further mitigate the expected rate increase with the next rate application, but to do so would only result in the authority undermining the progress that's been made and taking steps back in the form of increased leverage or reduced cash reserves, and the OCA doesn't see those measures in the best interest of consumers long-term. I appreciate the best case scenario, and all the scenarios involve different levels of balance, and the best case scenario looks to be superior in terms of mitigating both the rates in the short-term and avoiding going backwards from the progress that's been achieved over the last 10 years.

Stephen:

Yeah. What's interesting, too, is how much it would take to really change it in any direction.

Jeff:

Absolutely.

Stephen:

Thanks, Jeff. Item five is the approval of the OCA invoice for September for [crosstalk 00:54:47].

Frank:

Make a motion to approve.

Naomi:

I second it.

Stephen:

Who seconded it?

Naomi:

Naomi.

Stephen:

Naomi? Thank you, Naomi. Any questions for Jeff?

Naomi:

Jeff?

Jeff:

Yes.

Naomi:

I have a question. How did you end up settling the complex in Milford? Did they just agree upon something, or did we come up with something that...

Jeff:

What happened, Naomi, was we had a Zoom meeting, Rochelle and Laura, Lou Dagostine and I jumped on a Zoom call with Mr. Malcado. We went through the data that he provided and there was a little bit of a disconnect in terms of the dates he was using versus the dates that reflected when the device, the FlexNet device was changed out. He was making the argument that the entire discrepancy could be traced to when the FlexNet device was changed out, but when we actually looked at the data, it was clear, a couple of things were clear. One, the he was off by a few months, and two, that there had been if you went back a few years, there had been some historical spikes in consumption. In other words, he couched this as kind of a slam dunk, no brainer that this was obviously an anomaly that could only be explained by looking at the change out of the device, when in fact, there had been various spikes over the years.

Jeff:

We shared some more data with him, he shared some data with us, and the authority took a closer look at the information that he provided and came up with a proposal that was about a 50% waste adjustment and we had a follow-up Zoom meeting again, same cast of characters, Rochelle, Laura, Lou, I, and Mr. Malcado. Presented him with what we had come up with, and he took it to his board and they accepted it.

Naomi:

Okay. Thank you.

Stephen:

The motion is on the invoice. Any other questions to Jeff on the invoice? Hearing none. All those in favor?

Naomi:

Aye.

Frank:

Aye.

Stephen:

Any opposed? None. That motion carries. Item six is our next regular meeting date which will be Monday, November 16th at 5:30, the topic to be announced. Do I have a motion to adjourn?

Frank:

Make a motion to adjourn.

Stephen:

Frank, thank you. Second?

Naomi:

I second it.

Stephen:

Thank you, Naomi. All those in favor?

Group:

Aye.

Stephen:

Thank you, everyone.