

**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District
May 10, 2021
Meeting Transcription**

Charles:

To lead this meeting. The first item of business is the safety moment for this month is safety tips. Well, we're not quite there with the heat and everything, but they will be important shortly. We hope.

Charles:

Okay. And the next item on the agenda is the minutes of April 12th. Does anybody have any comments or additions? Alterations?

Tom:

I'll move the minutes.

Jay:

I'll second it.

Charles:

Okay, all in favor?

Group:

Aye.

Charles:

And then we have the minutes of the special meeting, so that's the 20th. Any comments, additions, alterations? Motions...

Jay:

I'll make a motion [inaudible 00:00:53].

Charles:

And the second?

Tom:

Second.

Charles:

All in favor.

Group:

Representative Policy Board
Finance Committee
May 10, 2021

Aye.

Charles:

After that, I think I can turn it over to Tim. It looks like you're there.

Tim:

I am here.

Charles:

Well, that was... You saved that by two minutes.

Tim:

Well, I didn't want to make you guys delayed. Okay, so we're on to number three, which is AMI Benefits Realization Walk. So we have with us a couple of distinguished guests who are going to walk us down this presentation.

Prem:

Thank you.

Tim:

Thank you, Prem.

Prem:

Yep.

Prem:

So thank you for the time today. And obviously you remember that we had rolled out this whole AMI program. So the team here is going to walk us through our benefit realization. Basically, we took our if you remember the cost neutral scenario, and the best case scenario. So as we remember from the past, we have actually called out ourselves to rollout and finish the program. Like in FY 22, we have close to \$600,000 to actually install the remaining meters.

Prem:

But the order on the case was to really look at a benefit that was close to 2.7 million. So the team is going to walk us through where we are today and what's yet to come. Today we have Dana [inaudible 00:02:25], who was our transformation director. We'll talk a little bit about the walk. We also have Laura Gonzalez, she's our director for customer care. She'll voiceover some of the key points that we are going to look into today. We also Brenda, she's our field services manager. She's going to walk us any questions that we have. So that being said, let's go into our details here. Laura and Dena, you guys want to get started?

Laura:

Sure. Good afternoon, everybody. Thank you for having us. One of the things we wanted to point out before we started to refresh our memory, as well as pointing out some key concepts. As a result of AMI, we have fewer billing exceptions, which again, built in less manual effort. Process improvements have reduced these manual billing exceptions. So workload has diminished. Fewer billing exceptions is less over time. We have better actual reads to bill our customers. As a result of that, we have had some leak adjustments and we'll talk a little bit about that. AMI has resulted in the reduction of staffing, meter reading, especially, and the payroll and overtime costs associated with that staff, as well as [inaudible 00:03:49] related to that. And then we have some benefits to unaccounted for water. And I'll briefly touch upon that.

Laura:

Next. I'll turn this over to Dana. She'll start walking us through and then I'll jump in.

Dana:

Thank you.

Dana:

So what we're looking at here is what we call the benefits realization walk. What we are looking at in the blue bars is the anticipated costs that were presented as part of the AMI project during the 2014 RPB application. So if you recall, there had been a best case, most likely case scenario presented as part of that RPB application and the costs we have outlined here were the basis of what the annualized costs of operating the AMI system or having the AMI system were going to be.

Dana:

The debt service associated with that project as presented to the RPB at that time was 1.7 million. Of course, AMI was critical for that transition to monthly billing. And that cost was going to be an additional \$460,000. Again, annual. There were some operating and maintenance costs that we were anticipating relative to software licensing communication network costs, things like that associated with the AMI system. That's 400,000.

Dana:

And then additional staffing resources to support the AMI system within the IT organization was about another 100,000. And that gave the RPB application AMI cost for an annual basis at about 2.7 million. So what we wanted to highlight for you guys today was some of the savings that we've been realizing towards that business case, and starting with some improvements that we saw savings realized through the debt service. We were actually able to get some more favorable financing and increase the use of the Connecticut drinking water state revolving fund, to improve and reduce some of those financing costs related to that service that saved us about \$300,000.

Dana:

The monthly billing business case. You may remember late summer, fall. We had been presenting the monthly billing business case where we had outlined some savings that we anticipated relative to that 460,000 that was originally presented.

Dana:

So the RPB application said we would have about \$460,000 of cost associated with increased postage paper payment processing, right? You're going from four bills a year to 12 bills a year. So there was all that cost wrapped up in there. We actually conducted some additional analysis last year that you may recall that pointed to driving participation in e-bill, which would reduce our postage and paper costs, transitioning customers to a lower cost electronic payment mechanism, and increasing that participation by about 20%. And then we certainly are expecting some improvements in the cash collections aspect within a monthly billing environment, because again, bills are going out more frequently, we're going to have smaller bills on the monthly basis. And so that cash collections was anticipated to see an increase as well, that cash conversion improvement.

Dana:

So all told instead of \$460,000, we actually anticipated that the most likely case for monthly billing was an actual annual cost of only about \$66,000. So the differential there is the \$394,000 that we're able to save. I know I walked through a lot of numbers there. So if you guys have any questions before I leave that bar let me know.

Dana:

Okay. If anything pops up let me know. We also had identified under-correcting meters, or I'm sorry, under-registering meters that we were able to correct through the meter replacement process. As part of the AMI project, we had anticipated replacing about half of our meters and we actually ended up replacing... Randy can correct me here, but I think it was about 71,000.

Brenda:

That's correct.

Dana:

Thank you. And of course we still have a few more meter replacements to do as part of our remaining AMI work, but this is really what we've anticipated. We worked with Rochelle and her team to identify the savings relative to the latest costs associated with current rates and the actual number of meters replaced. So that 519,000 is essentially more revenue related to the collection and the proper registering of those meters that we replaced.

Dana:

Laura and her team had some significant staff reductions. Brenda, primarily in the meter reading department that Laura had touched on earlier. Also some of our customer service folks, we had streamlined some work there.

Dana:

In the meter reading and overtime elimination, again, with the reduction in those folks, we don't have as much overtime here. We're still doing a handful of meter reading on those that don't have an AMI device yet. I think we're about 3000 that we still don't have a device on that we're continuing to work. So we're eliminating overtime there, as well as in the customer service department and dealing with all of the billing related implausibles, right?

Dana:

When the reads come in, when we had manual reading devices that weren't working well, things like that, right? We had a lot of overtime, dealing with some of those billing anomalies and doing those corrections to make sure that those bills got out and that overtime has been significantly reduced thanks to the AMI system and having those reads on a more regular and frequent basis without the estimates.

Dana:

We have seen some reduction in some fleet costs, not as much as originally thought, but that we are really seeing that that work has transitioned, right? And those vehicles are being deployed. Field audit, tampering, and theft protection. We are actually seeing some improvements here, again in about \$145,000. And this is really an area where we've been talking about some additional opportunities we have in here, as well, as we're continuing to look at it and do the analysis on the AMI data that we get in.

Dana:

And if you take all of these orange bar savings from the 2.7 million that we thought AMI was going to cost us on an annual basis, we're actually looking at thinking that we will actually have about \$166,000 less than that. So a savings related to having AMI again, this is about our annualized costs that we are seeing how this can impact us. So we're really happy with what we're seeing in the AMI program so far. We see lots of other opportunities as we try to build and expand on this. But we've really seen some with these benefits in the annual costs related to AMI.

Dana:

Laura or Brenda, anything else you guys want to add on that or questions from the team?

Laura:

I want just to add that at this point, there are still more [inaudible 00:11:42], we are utilizing a lot of reports that we didn't have before meter sense report. We have a lot of data, and so we're expecting more information in regards to theft and protection and just realizing when our customers may be tampering with our devices. And so there's more to come on that. The customer service sides, although seeing reduction in overtime, what it really translates to be, is a lot of good actually to our customers so our billing has improved in regards to that. Fewer estimates translates to a better customer experience. That was not only... Of course reduction, better revenues as well as customer experience as a group through the AMI.

Dana:

One other thing just to add there. I think what's really great about how the business has transitioned from project to operational working with these things, completing the installs, doing the analysis on the theft. These are all things that have worked into the operation and are no longer sort of considered project work. Right? The AMI project has just rolled into normal operations at this point, and all of the areas are working on it as part of regular business now, which is a great transition for us as an organization

Prem:

And also to add, right. And I think there's one more slide that talks about net unaccounted for water. So there are a list of soft benefits that team identified as part of the business case. Now they're trying to make sense, now that we are going more into the operational mode, we are looking at how those things which are intangible benefits can be more tangible, right? So for example, based on the water loss model that we are trying to build, we would be able to tell it better in terms of how much chemicals we use in terms of feeding the water, for example. Looking at the AMI data and the production data, we are able to identify for example, in terms of how much production that needs to be there, is on customer's consumption, right? So that's another [inaudible 00:13:50] trying to track that. As we get more and more rich data from AMI, I think the cases are going to get even better.

Prem:

So something to keep that in mind. And again, there are other benefits. I know we have listed out some of these, the orange bars that are more of tangible benefits that are coming through. Our goal is to really maximize that. And remember, this was more of a cost [inaudible 00:14:16] scenario that we had, the 2.7 million that we had. By looking at the 166,000 that's in our favor, puts us in between the best case scenario and the cost equal scenario, right? So we are trying to maximize that. I just wanted to add a little bit more color there.

Prem:

And I don't know, Brenda, are there any other pointers that you have?

Brenda:

Well, we... Aside from the accurate data that we're getting real time, we're also looking at the technology, more so in the near future for things like operating valves remotely and using the technology to help us with collection matters and working with our customers so we're not rolling out trucks for collection accounts. So that's something that we're looking to pilot in the near future. And as we find out more about the technology we're creating these small groups and looking for ways to maximize the AMI system.

Prem:

Yeah. That's a good point, Brenda. And also just to add a little bit more color along the same lines. As you know, we talked a lot about leak detection. So that's also in the roadmap to look at how leak detection can help us in terms of rolling out this new technology so we can catch the leaks beforehand, right? So there's been some discussions on rolling out these sensors that come as part of this whole leak detection program. The team is looking at understanding what that means to roll that out. So some of those things are in the pipeline in the roadmap. So we'll be looking at implementing those technologies as well.

Prem:

So... Are there any questions? I know this is a lot of data, right? And I don't know if anybody else have any questions on this.

Tim:

Yeah. If I could introduce a question or two, because I'm sure it may help the group remember. What was the total cost of AMI?

Prem:

I think the [inaudible 00:16:17] capital team that we had was close to \$28 million, that was estimate for this case, right? And if you remember the biggest chunk of that was the debt service, the 1.7 we have, right. So the good news is that it with Rochelle's help and the team's help, we were able to do some financing, even lower, basically dips our receiving further down. So I think that's where we are. And obviously what the life of the asset we are looking at getting more benefits out of like I said, about the intangible benefits, we want to make it more sense there.

Tim:

And is this based on a 20 year pay down?

Prem:

Yes it is.

Tim:

Is this a 20 year... So a typical capital project. Okay.

Prem:

Yep.

Tim:

And I was just curious about how we can rely upon a net realized annual cost benefit of 166,000. Are you building inflated rates over time, and some of these other variables, how did you actually come to terms with that?

Prem:

So I think one of the [inaudible 00:17:17], Rochelle, you can probably have color this, right? But I would say the way we looked at this, Tim, is, for example, when things like staff reduction, right? You know, 1.16 million what we thought, the sense there is that, let's say we haven't done any work to make any changes and just continue with our regular program, right? There are recurring benefits on [inaudible 00:17:40] as an example, where we have the user staff, right? It's directly tangible benefits and that's recurring. So we looked at all of these puts and takes, to be honest, right? Other example would be the monthly billing business case itself, where we initially said in the business case that it's going to cost us \$460,000 in a year. If you go to a monthly billing as part of the overall business case for AMI.

Prem:

But then technology as it improves. And we looked at the original costs that are coming in after a few years now, before they reduced that to 394,000, again, there was a recurring cost of 460. Now we're looking at, as an example, it's now going to be getting more before the loaded, down only 67, right? To Dana's point. So those are some hard pointers. We looked at actual costs as an example. So obviously there's some level of extrapolation here, right? Like we are thinking about this thing recurring,

annualized, right? So that's how we are able to predict in terms of what that's going to look like. I mean, we ask you, there are some flipped reduction, and then some of the meter reading or overtime estimation, those are small numbers, but those were all part of the original business case. The baby had it, right?

Prem:

So, I mean... Pretty sure Rochelle can add more financial.

Rochelle:

See, Tim. We did not factor in ongoing inflation. It was really based on current estimates, but in a wide space. The debt service was also based on annualization and then key savings there had to do with... we did get higher grants and we also used more internally generated funds than was originally anticipated.

Tim:

And I have one more question, sorry to monopolize. But this had to... I know there were some things along the way, like increasing the number of meters that were being replaced. Was that capital or did that come out of the operating budget?

Dana:

It was all capital. And actually the capital costs actually came in under the 28 million.

Tim:

Okay.

Prem:

That's a great question, Tim, right? Because I really wanted to... before we start up doing all the other programs, I know we'll be talking about a CIS program down the lines. From a technology standpoint, we really want to wrap this AMI program, right? In FY 22. We have, I think, close to \$600,000 in the capital that we want to really roll out the remaining meters, but it's all capital, right? To your question, and we really wanted to make sure that we can wrap up the program so we can realize the actual benefits. So we have looking at closing this program, that's the idea.

Rochelle:

Tim, I think you may have been referring to the change order that was done. I know...

Tim:

It could be. It's just a foggy recollection. But I do recall...

Rochelle:

That's all been captured in the overall cost of the project.

Tim:

Okay. Okay. Any other members of the committee have a specific question?

Charles:

Yes, this is Charles. Prem, do you have... It doesn't matter whether it's a percentage or a dollar value, but do you have a before and after numbers on the lost water subject? I know there were some changes that we found some, but do you have any before and after numbers on what that represents?

Prem:

Yeah. And I think Charles, to answer your question, right? I don't have it right in front of me now, but we can definitely get that, [inaudible 00:21:16] in terms of what is the number before and after I thought there was also another slide that talked about [inaudible 00:21:21].

Laura:

Yeah. There is one more slide.

Laura:

And then that has to do with a tool. Basically this slide is talking about how we're utilizing the meter sense data that is now available to us, how to determine water loss by comparing it to a production. And I think that Prem was mentioning as he spoke, what you see before you is actually the tool itself that has been that extracts hourly consumption by service area and by meter for a 24 hour period. And this helps them do the analytics necessary to help us determine the unaccountable...

Charles:

This would be a great page for analyzing what's going on today. I'm just wondering if there was a before and after number of a percentage of water loss, or lost a billing, or that type of thing.

Rochelle:

Charles, I think the issue is, although we do have unaccounted for water like in... Back from fiscal 15 to now. I think the challenge, and Laura and others can correct me if I'm wrong, is that there's so many other factors [inaudible 00:22:32] that we really couldn't attribute a particular precise change in unaccounted for water to AMI.

Charles:

So generally would you say that we found some water or didn't we?

Prem:

No, I think... To be honest with you, Charles, right? That's actually a very good question, right? And I definitely want to come back and give a little bit more clarity on before and after.

Charles:

I don't need the exact numbers or anything like that. But I remember when we were talking about this that, I don't know why, but it seemed to me we were like, it was close to 10%. I mean, it was a substantial number prior to went into AMI. And that was one of the driving forces. I just wondered...

Laura:

Representative Policy Board
Finance Committee
May 10, 2021

Charles, I'll just add some of the information that the engineer shared with us was basically the meter sense data does help because now they have information with which to manage. So they have data availability and they're able to determine by area or region where there are vulnerabilities or opportunities for improvement. I don't think it's been fully vetted out yet, but we're heading in that direction with the meter sense data that comes to us through AMI.

Charles:

Okay

Prem:

Yeah. [inaudible 00:24:00] Charles, right? But you're right, I think it was around 10 or 11% is what I remember collected in terms of those percentage there. But my gut feeling says, right? When we look at this AMI data comparison, right? Your point, it's going to give us more benefit once we get into that leak detection, because that's the primary source of us losing the water, right? I think we have to start mobilizing that technology, there are sensors, et cetera, which can track where the leaks are. And then once we start doing that, I think you're going to see more benefit, because now we stop the leak, means you are stopping the water loss, right? I think that's a key technology that needs to be put in place. We are still looking at that in the roadmap, but I will get back to you on the percentage.

Charles:

When you speak of the analytics. There's so much conversation now, whether it be in finance or whatever about this AI analytics, where they take data, like we're able to have so much more data now and run it through. I call them programs, but they're more sophisticated than that now, but I'm assuming the data that we're getting now that we weren't getting before we can go in that direction. And I think that's a good thing, but again, it was just before and after the numbers that... Someday.

Charles:

Okay. Thank you.

Prem:

Thanks Charles, yeah.

Tim:

Anyone else?

Tim:

Well, it looks like a wrap, good program, a good demonstration. We do appreciate the efforts going into this and we look forward to more reporting because this is obviously very important. This is going to drive some things for us.

Prem:

Thank you, Tim. Yeah. Thanks for your time today as well. We're coming to you. Okay.

Dana:

Representative Policy Board
Finance Committee
May 10, 2021

Thank you all.

Tim:

Okay.

Tim:

So here we are. We're now at item four, which is the discussion of the fiscal year 2022 capital and operating and maintenance budgets. Is that for us to handle? What's going on with this? It's on the agenda and to put anything up Rochelle, or is it just a general recap?

Rochelle:

Any comments that the finance committee or OCA has.

Tim:

Jeff, did you have anything in particular? I can naturally ask my colleagues. I didn't, I didn't have a glaring or something that shouted out for me to relate. Well,

Jeff:

You all received my letter, I trust.

Tim:

Yes.

Jeff:

And my letter reflected my comments on both the way in which the budgets were prepared and presented as well as my appreciation for the skill that was demonstrated by the authority in navigating the challenges presented by the pandemic thus far as reflected in what we expect will soon be the final results for the fiscal year 21.

Tim:

Right. That's how I do recall the letter, and I think that's how I certainly felt with the presentation. Any other members have questions or comments they want to share? Okay, looks like you guys get a pass.

Tim:

Finance is way too easy. Well, Larry, I got your thumbs up. I'll share that in case nobody else saw it. I finally got onto gallery view, for some reason or other I couldn't seem to get onto it earlier.

Tim:

Okay. So with nothing further on that matter, that moves us to the attendance at the authority May 2021 meeting. Vin you're going to be able to make that 12:30 meeting?

Tony:

He's muted.

Representative Policy Board
Finance Committee
May 10, 2021

Charles:

Vin is muted.

Tim:

Yeah. I'm assuming you saw them, the note. We'll assume he's going to be there. Let us know if he's not, we'll give him a demerit next month. Six is new business. Is there anything in new business we want to bring up and discuss? Tony I didn't have a chance to say hi, but hi.

Tony:

Hi.

Tim:

Mr. DiSalvo good to see you auditing our meeting. We do appreciate that. It's good to have a Sage in the house. Okay. With that...

Tony:

Looks like I'm getting set up for something.

Tim:

No, just a goodbye. No, it truly is. So I guess there's no new business. There's nothing further to say. So I'll ask for a motion to adjourn.

Tom:

So moved.

Charles:

Second.

Tim:

All in favor.

Group:

Aye.

Prem:

Take care.