

Representative Policy Board of the South Central Connecticut Regional Water District

Notice of Public Hearing and Filing of Rates and Other Charges for Water and Related Services

OVERVIEW & ACCESS

The Representative Policy Board (“RPB”) of the South Central Connecticut Regional Water District (“the District”) will hold a public hearing at 7:00 p.m. on Thursday, September 23, 2021, to consider the application of the Authority to establish rates, other charges, and rate schedules for water and related services (“the 2021 Rate Application”).

The public hearing is to be held pursuant to provisions of Sections 10 and 14 of the District’s enabling legislation, which is Connecticut Special Act 77-98, as amended.

The public hearing will be held via remote access. Members of the public may attend the meeting via conference call.

All of the users of the water supply system of the Authority, as well as owners of the property served or to be served, residents and taxpayers in the member towns of the District, and other interested persons shall have an opportunity to be heard concerning the matters under consideration.

Members of the Authority and its consultants and a representative of the Office of Consumer Affairs of the RPB will be available at the public hearing to discuss details of the proposed rates, other charges and rate schedules for water and related services. Copies of the 2021 rate application are available for public inspection at the District’s office, 90 Sargent Drive, New Haven, Connecticut 06511 or at <https://tinyurl.com/3ccfyss8>. The public may contact the board office with questions by emailing jslubowski@rwater.com or by calling 203-401-2515 for information on attending the meeting or arranging access to view the application.

The Authority’s proposed rates are to be effective as of the delivery of all or a portion of the Authority’s Water System Revenue Bonds, proposed to be issued on or about January 2022 (the “proposed bonds”). The Authority anticipates that total revenues to be raised by the proposed increase in rates will be approximately \$7.911 million, or 6.5 %, more than revenue from existing rates and charges during the historical period of 12 months referenced in Section 619A(1) of the South Central Connecticut Regional Water Authority’s Water System Revenue Bond Resolution General Bond Resolution.

The proposed 3.75% yield on the proposed bonds is based on an assumed interest rate. The Authority’s proposal contemplates that the actual rate increase will be adjusted, depending on the effective interest rate paid by the Authority on the proposed bonds as follows:

Interest Rate	Revenue Increase
1.75% and lower	5.9%
above 1.75% and up to 2.25%	6.0%
above 2.25% and up to 2.75%	6.2%
above 2.75% and up to 3.25%	6.3%
above 3.25% and up to 3.75%	6.5%
above 3.75% and up to 4.25%	6.8%
above 4.25% and up to 4.75%	7.0%
above 4.75% and up to 5.25%	7.2%
above 5.25% and up to 5.75%	7.5%

Examples of quarterly and monthly bills at existing and proposed rates are provided by the following table. The average residential customer of the Authority’s district will experience an increase of approximately \$10.85 per quarter, \$3.62 per month, or 6.3%.

Meter Size	Quarterly Consumption in Cubic Feet (1)	Existing Rates	Proposed Rates
5/8"	500	83.17	86.54
5/8"	2,500*	171.29	182.14
5/8"	8,000	413.62	445.04
1"	30,000	1,299.99	1,409.76
2"	54,000	2,387.04	2,585.79
2"	100,000	4,235.78	4,599.21
6"	1,000,000	39,360.65	42,715.17
8"	1,500,000	54,922.98	59,810.58

Meter Size	Monthly Consumption in Cubic Feet (1)	Existing Rates	Proposed Rates
5/8"	167	27.72	28.85
5/8"	833*	57.10	60.71
5/8"	2,667	137.87	148.35
1"	10,000	433.33	469.92
2"	18,000	795.68	861.93
2"	33,333	1,411.93	1,533.07
6"	333,333	13,120.22	14,238.39
8"	500,000	18,307.66	19,936.86

*Average residential customers.
(1) One cubic foot equals 7.4805 gallons.

NOTICE POSTED BY:

Mario Riconzi, Chairperson
Representative Policy Board of the South Central Connecticut Regional Water District

Notice is hereby given that the Authority has filed with the Representative Policy Board for its approval, the following rates and other charges for water and related services within the District to become effective on the delivery date of all or a portion of the proposed bonds, based on a revenue increase of 6.5%.

QUARTERLY WATER RATES

Service Charges		
Meter Size	Existing Service Charges	Proposed Service Charges
5/8"	\$61.14	\$ 62.64
3/4"	71.37	73.17
1"	94.29	96.66
1-1/2"	142.80	146.37
2"	216.78	222.21
3"	633.99	649.86
4"	951.60	975.39
6"	1,780.65	1,825.17
8"	2,902.95	2,975.58
10"	4,127.40	4,230.60
12"	5,352.33	5,486.16
Privately Owned	20.34	20.84

Consumption Charges

Cubic Feet	Existing Rates / per Hundred Cubic Feet	Proposed Rates / per Hundred Cubic Feet
Small (5/8 - 3/4" meters)	\$ 4.406	\$4.780
Medium (1 - 2" meters)	4.019	4.377
Large (3 - 6" meters)	3.758	4.089
Very Large (8" and up)	3.468	3.789

MONTHLY WATER RATES

Service Charges		
Meter Size	Existing Service Charges	Proposed Service Charges
5/8"	\$ 20.38	\$ 20.88
3/4"	23.79	24.39
1"	31.43	32.22
1-1/2"	47.60	48.79
2"	72.26	74.07
3"	211.33	216.62
4"	317.20	325.13
6"	593.55	608.39
8"	967.66	991.85
10"	1,375.80	1,410.20
12"	1,784.11	1,828.72
Privately Owned	20.34	20.84

Consumption Charges

Cubic Feet	Existing Rates / per Hundred Cubic Feet	Proposed Rates / per Hundred Cubic Feet
Small (5/8 - 3/4" meters)	\$ 4.406	\$ 4.780
Medium (1 - 2" meters)	4.019	4.377
Large (3 - 6" meters)	3.758	4.089
Very Large (8" and up)	3.468	3.789

SEASONAL WATER RATES

Service Charges		
Meter Size	Existing Service Charges	Proposed Service Charges
5/8"	\$305.87	\$313.52
3/4"	356.90	365.82
1"	471.70	483.49

1-1/2"	714.03	731.88
2"	1,084.01	1,111.11
3"	3,170.52	3,249.78
4"	4,758.73	4,877.70

Consumption Charges

Cubic Feet	Existing Rates / per Hundred Cubic Feet	Proposed Rates / per Hundred Cubic Feet
All Consumption	\$ 7.002	\$ 7.356

PUBLIC AND PRIVATE FIRE SERVICE RATES

Service Charges – Annual		
	Existing Rates	Proposed Rates
Public		
Inch-Feet	\$ 0.08306	\$ 0.08832
Hydrants	171.00	181.80

Private

1" Connection	\$190.00	\$201.96
2" Connection	190.00	201.96
3" Connection	190.00	201.96
4" Connection	306.88	326.40
6" Connection	707.62	773.16
8" Connection	1,899.68	2,020.08
10" Connection	4,048.14	4,304.64
12" Connection	7,279.94	7,741.08
14" Connection	17,637.54	18,754.80
16" Connection	25,058.58	26,645.88

SERVICE AREA MISCELLANEOUS WATER AND NON-WATER RATES

Miscellaneous Water Rates	Existing Rates	Proposed Rates*
Hydrant Permits		
Meter Service Charge	\$ 276	\$ 276
Minimum Service Charge	171	194
Seasonal Minimum Charge (existing rate includes 80,000 gallons)	811	850

Tank Truck Water Annual Charge (plus: water rate at 4.780 per ccf applicable)

	59	80
Wholesale**	2,621 (per million gallons)	2,937 (per million gallons)
Raw Water	0.6348 (per ccf)	0.6748 (per ccf)

Miscellaneous Non-Water Rates

Termination & Reconnection Charge (turn-off and turn-on)	\$ 151	\$ 168
Termination & Reconnection Charge (after hours call-in)	215	222

Collection Visit Fee (non-shut)	41	42
Other Collection Activity	(A)	(A)

Tampering of Hydrant		
First Offense	500	500
Subsequent Offense	1,000	1,000

Inaccessible Vault/Pit		
First Offense	500	500
Subsequent Offense	1,000	1,000

Unmetered Active Service Fee		
First Offense	500	500
Subsequent Offense	NA	1,000

Obstructed Curb Valve		
First Offense	58	58
Subsequent Offense	(A)	(A)

Repair/Cleaning Curb Box (due to customer negligence)	157	164
Deficient Check Charge	29	30
Lien Processing Charge	27	27
Lien Filing or Release (each)	NA	60
Special Customer Request Charge	(A)	(A)
Waste Inspection Charge	87	87
Meter Resetting Charge	153	166

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First Offense	58	58
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Waste Inspection Charge	87	87
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*Proposed rates are rounded to the nearest dollar.

** Existing rate methodology.

ENTIRE SERVICE AREA MISCELLANEOUS WATER AND NON-WATER RATES

Service Call	Existing Rates	Proposed Rates*
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During Working Hours	\$ 102	\$ 102
After Hours Call-In	289	289

Manual Meter Reading Fee	47	49
Missed Appointment Charge	55	55
Operate Curb Valve Charge	200	200
Repair or Replacement of Company Meter Reading Device	205	205

Mandatory water restriction violation fee per occurrence, up to one per day		
During a RWA Drought Stage Watch	25	25
During a RWA Drought Stage Warning	50	50
During a RWA Drought Stage Emergency	100	100

Excavation for Termination of Service		
(1) At Curb Valve	457	457
(2) In Street at Tap Valve	(A)	(A)

Backflow Per Device Testing Charges		
1 to 5 Devices	55	57
6 to 9 Devices	50	50
10 to 50 Devices	45	45
50+ Devices	40	40

Unscheduled Test	110	115
Confined Space, Pit/Vault	110	115
Pit/Vault Requiring Pumping	(A)	(A)

Repair or Replacement of Company Meters (due to customer negligence)		
5/8" & 3/4"	220	220
1"	275	275
1-1/2"	450	455
2"	555	555
Over 2"	(A)	(A)

Private Hydrant Inspections- Annual Test	(A)	(A)
Private Hydrant Inspections- Seasonal (Two) Tests	(A)	(A)
Per Foot Costs to Install a Hydrant on New Main	(B)	(B)

(A) The actual cost of the material, labor including outside services and/or equipment used, plus overhead at the actual prevailing rates will be used. In those circumstances where this procedure could cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost.		
(B) The actual cost of the material, labor including outside services and/or equipment used, plus overhead, in accordance with the rules and regulations.		

*Proposed rates are rounded to the nearest dollar.

OTHER MISCELLANEOUS CHARGES AND CHARGES FOR PIPE INSTALLATION

MISCELLANEOUS CHARGES

Charges for all services or materials are based on the actual, direct cost of the material, labor and equipment used, plus the cost of overhead at prevailing rates. In those circumstances where the procedure will cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost. These charges are assessed on the water bill account whenever possible otherwise a separate invoice is rendered.

CHARGES FOR PIPE INSTALLATION (SUBJECT TO PROPORTIONATE SHARING)

Charges for pipe installation under Extension of Main Rules and Regulations will be the actual cost of the pipe, labor and equipment used, plus overheads at prevailing rates. In those circumstances where this procedure will cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost. If pavement excavation and replacement or repairs are required for the extension, these additional charges will be added to the final invoice. The cost of pipe will normally

be based on 8-inch main but, if for any reason it is necessary to install pipe larger or smaller than 8-inch to satisfy the requirements of the applicant, cost shall be based on the pipe size actually required.

SERVICE CONNECTION CHARGES

Prior

Topic: Rate Application Public Hearing

Time: Sep 23, 2021 07:00 PM Eastern Time (US and Canada)

Join Zoom Meeting (*via conference call*)

Dial by your location

+1 301 715 8592 US (Washington DC)

+1 312 626 6799 US (Chicago)

+1 646 876 9923 US (New York)

+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

Meeting ID: 862 6334 7297

Passcode: 312277

Find your local number: <https://us02web.zoom.us/j/k3qPKbUI6>

**South Central Connecticut Regional Water District
Representative Policy Board**

Application to the RPB for the approval of the Authority's 2021 Rate Application

Exhibits

Exhibit Number/Letter	Exhibit Name
A	Application submitted to RPB on July 19, 2021 for approval of the Authority's 2021 Rate Application
B	Notice of Public Hearing published on Saturday, August 21, 2021 in the CT Post and The New Haven Register
C	Office of Consumer Affairs First Set of Interrogatories dated August 9, 2021
D	Management's response dated August 19, 2021 to the OCA's First Set of Interrogatories dated August 9, 2021
E	Office of Consumer Affairs memorandum dated September 16, 2021 recommending approval of the Authority's 2021 Rate Application

EXHIBIT A



ISSUANCE TEST RATE APPLICATION

Submitted by the
South Central Connecticut Regional Water Authority
to
the Representative Policy Board
of the South Central Connecticut Regional Water District
Date: July 19, 2021



South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203-562-4020
<http://www.rwater.com>

July 19, 2021

Members of the Representative Policy Board
South Central Connecticut Regional Water District
90 Sargent Drive
New Haven, Connecticut 06511-5966

RE: Issuance test rate application

Ladies and Gentlemen:

We are submitting the enclosed issuance test rate application and request that the Representative Policy Board (“RPB”) schedule a public hearing in September 2021.

Please note that the “Action” tab of this application includes a proposed resolution by the RPB authorizing an increase in water rates in connection with the Authority’s issuance of its Water System Revenue Bonds, expected to be issued in January 2022 to finance its capital improvement program for the period January 2022 through June 2023.

The Authority proposes an increase in revenue of \$7.911 million equivalent to a 6.5% overall increase over the historic twelve-month period chosen for this issuance test. The effect of this application on the water bill of the Authority’s average residential customer would be an increase of approximately \$10.85 per quarter, \$3.62 per month, 12 cents per day, or approximately 6.3%.

The capital improvement program (“CIP”) during the eighteen month period covered by this application averages approximately \$45 million annually. The level of capital spending reflected in this application is consistent with the recently presented fiscal 2022 to fiscal 2026 five year capital plan. The capital spending incorporates the 3R’s, Risk, Resiliency, and Redundancy, the approach to capital planning presented with the October 2020 ten year model and the for the fiscal 2022 budget. A few of the larger projects requiring funding during the eighteen-month period covered by this rate application include the Improvements to Lake Whitney Dam & Spillway Improvements, the West River Water Treatment Plant Improvements (Dissolved Air Flotation, Chemical, and Electric) project, and Spring Street Pump Station.

Given the declining trend in draft of approximately 1% annually since 1999, the RWA has worked continuously the past twelve years to implement efficiencies in both capital and operating expenditures. Notwithstanding the proposed increase in water revenues, this filing includes the following efficiencies achieved subsequent to the 2019 rate application:

- This application incorporates the lower interest expense associated with the July 2019 and February 2020 refinancing, reducing debt service by approximately \$990,000 in the maximum debt year in this application. Prior refinancing also favorably impacts this application.

- The financing requirement in this application incorporates the use of approximately \$20.1 million of internally generated funds. This lowers debt service by approximately \$1.1 million. In addition, internally generated funds are funding the first seven months of the fiscal 2022 capital program.
- Savings also includes CT DWSRF and open space grants, projected DWSRF grants, and other savings resulting in lower debt service of approximately \$89,000.

In summary, these actions result in debt service savings of approximately \$2.2 million.

- This application also incorporates approximately \$28,000 in PILOT savings.

Through its strategic initiatives, RWA continues to work to achieve operating and capital efficiencies. At the time of the 2019 rate application, approximately \$22.6 million in savings was identified since 2009, the time the initial (2009 to 2014) strategic plan was implemented, resulting in water rates being lower than they would have otherwise been by approximately 20%. With the additional items noted above, the total savings are approximately \$24.8 million, resulting in water rates being lower than they otherwise would have been by about 21%.

In addition, due to policy changes approved by both governing boards, the availability of internally generated funds allowed the RWA to postpone the filing of a rate application originally planned for July 2020. As part of the fiscal year 2020 year-end disposition, the General Fund was prudently increased to provide for maximum flexibility to address uncertainties associated with COVID-19. We also continue to pursue grant opportunities.

The last few months of fiscal year 2020 and all of fiscal year 2021 has been particularly challenging. With prudent planning and keeping operating and maintenance costs at a reduced level, the Authority ended fiscal 2021 with a strong year-end disposition, allowing almost \$17 million to be transferred into the Construction Fund as well as an additional \$3 million from the General Fund

The reduced level of operating and maintenance expense experienced in fiscal 2021 is not sustainable. The operating expenses in this application reflect the fiscal 2022 budgeted level and a projection for fiscal 2023. The fiscal 2023 projection does include a pension contribution above the actuarial required contribution in keeping with continuing to improve the funded status of the plans and achieve “fully funded” by the end of fiscal 2025.

This rate application continues the 114% coverage requirement and includes the \$1 million increase in depreciation expense to further improve internal generation of funds that are necessary to sustain reserves, fund a portion of the capital program, and reduce debt leverage. These changes were developed in collaboration among the Authority board, the RPB, and management to strengthen the RWA and help fund its capital improvement program through internal generation of funds.

Water rates and related charges will be adjusted at the time of the sale of the Bonds in accordance with the table on page 31 of this 2021 rate application to reflect the effective yield on the bonds and resulting debt service at the time of issuance.

With January 2022 being the effective date of this issuance test rate application, it will be approximately thirty months since the last rate increase. The proposed increase in water rates will provide the Authority with the funds necessary to maintain its capital improvement program and continue essential maintenance programs to provide the level of service, of which we are all proud, from approximately January 2022 through June 2023.

Cordially,

David J. Borowy, Chairperson
Kevin J. Curseaden
Anthony DiSalvo
Catherine E. LaMarr
Suzanne C. Sack

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Preface

***Rules of Practice* of the Representative Policy Board**

This issuance test rate application is presented in accordance with Part 1, “Applications, General Provisions,” and Part 2, “Rate Fixing,” of the Representative Policy Board’s (“RPB”) *Description of Organization, Rules of Practice and Procedures for Consumer Complaints*. Sections of this application which are required by the RPB begin by quoting language from that document to introduce the material.

Section one: Introduction

1. Nature of the application and its key elements

The RPB’s Rules of Practice require the following: “A summary statement explaining the nature of the rate application and highlighting its key elements. Such statement shall cite by appropriate reference the statutory provision or other authority under which such authorization is to be granted by the Board...”

a. Statutory reference

The South Central Connecticut Regional Water Authority’s (the “Authority”) enabling legislation, adopted by the Connecticut General Assembly in 1977, is *Special Act 77-98, as amended by Special Act 78-24, Special Act 84-46, Special Act 99-12, Public Act 02-85, Special Act 03-11, Special Act 03-12, Special Act 13-20, Special Act 17-5, and Special Act 18-4.* (“the Act”).

Section 14 of the Act includes the following language:

“With the approval of the representative policy board, the authority shall establish just and equitable rates or charges for the use of the water supply system to be paid by any customer, and may change such rates or charges from time to time.”

Section 14 of the Act also states that the rates shall provide funds, in conjunction with other water supply related revenues, sufficient to operate the water supply system, including the satisfaction of “any requirements of any resolution authorizing, or trust agreement securing, such bonds of the authority...” Section 2 of the Act defines bonds as “bonds, notes and other obligations issued by the authority.”

The RPB’s Rules of Practice require the following: “...a statement explaining the nature of an issuance test rate application, including a reference to Section 619A of the Authority’s Water System Revenue Bond Resolution General Bond Resolution under which the authorization of such an application is to be granted by the Board...”

b. *General Bond Resolution*

This rate application is an “issuance test” rate application, meaning an application that is triggered by a requirement for the issuance of bonds in the Authority’s *General Bond Resolution*, rather than by lack of revenue to meet current operating expenses. (The Authority issues its own debt to finance most of its capital program.)

The issuance test requirement is found in Section 619 of the Authority’s *Water System Revenue Bond Resolution General Bond Resolution (the “General Bond Resolution”)*, adopted by the Authority on July 31, 1980 and approved by the RPB on the same date, as amended and supplemented. Section 619 of the *General Bond Resolution* states that the Authority shall not

issue additional bonds unless certain requirements are satisfied and certified to the Authority's Trustee.

Briefly, to satisfy the requirements of the *General Bond Resolution's* issuance test, the Authority must demonstrate that it will have sufficient net revenue after operating expenses to pay the projected debt service on any bonds outstanding in the current year and in any future year, as well as on its bonds currently proposed. The section of the *General Bond Resolution* quoted below requires the Authority to demonstrate the sufficiency of its revenues by using a conservative calculation that subtracts anticipated operating expenses from historical revenues.

Section 619A of the *General Bond Resolution* reads as follows:

The Authority files with the Trustee the certificate of an Authorized Officer setting forth:

“(1) Revenues for any historical period of twelve (12) consecutive calendar months out of the eighteen (18) calendar months next preceding the issue of the additional Bonds adjusted to give effect to any additional Revenues which the Authority estimates would have resulted had any increases in rates adopted prior to the issue of the additional Bonds been in effect for such period and adjusted to give effect to any amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period and adjusted to give effect to the refundable credit expected to be received for such additional Bonds from the Federal government pursuant to Section 54AA of the Code.”

“(2) The amount which the Authority estimates will result during a future period consisting of the twelve consecutive calendar months following the issue of the additional Bonds for (i) Operating Expenses (but not less than the amount of Operating Expenses for such historical period), (ii) PILOT payments, (iii) payments for debt service required to be made on Outstanding Bonds pursuant to Section 404C(1) and (2) and payments from Revenues to maintain reserve requirements under the Resolution, (iv) the amount by which the Interest Requirement on Variable Rate Bonds exceeds the payments for interest required to be paid on such Bonds pursuant to Section 404C(1) and related costs, (v) payment for debt service or to maintain reserves required by any resolution authorizing the issue of Subordinated Debt (except to the extent that at the time of issuance of such Subordinated Debt such payments are scheduled to be made from moneys other than Revenues), (vi) Depreciation Expense and (vii) payments from Revenues for all other obligations of the Authority, except those to be paid from the General Fund; and”

“(3) The amount of resulting net Revenues including, for purposes of C(2) and C(3) below, the adjustments of A(1) above and an amount on deposit in the Rate Stabilization Fund Surplus Sub-account as determined and specified by written certification of the Authority, which amount may be no greater than 20% of the maximum aggregate of Principal Installments and interest of the current Fiscal Year on Outstanding Bonds, including additional Bonds.”

Also, in section 619C of the *General Bond Resolution* is the following language further defining the content of the Authority's certificate to its Trustee regarding its issuance of new debt:

“Net Revenues as computed...above are not less than One Hundred Fourteen Percent (114%) of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding Bonds, including the additional Bonds; and”

“Net Revenues as computed...above plus PILOT payments as computed...above are not less than One Hundred Twenty-Five Percent (125%) of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal year on Outstanding Bonds, including the additional Bonds.”

Further, Section 619C contains the following language regarding acquisition of an existing water system:

“In case an existing water system is to be acquired from the proceeds of such additional Bonds, the information set forth in the certificate of an Authorized Officer shall include the financial information, for the same historical and future twelve-month periods, of the water system to be acquired adjusted to conform to the methods of computing such information for the Water System under the Resolution...”

The RPB’s Rules of Practice require the following: “...a statement of the amount of debt proposed for issuance...”

c. Proposed debt

The South Central Connecticut Regional Water Authority (RWA) proposes issuance of new debt of approximately \$50.7 million, excluding approximately \$3.5 million of Connecticut Drinking Water State Revolving Fund (“CT DWSRF”) loans expected to be closed prior to January 5, 2022. The proposed new debt of approximately \$50.7 million, inclusive of the anticipated premium, is expected to be issued as new RWA Water System bonds. .

In 1996, the State of Connecticut (the “State”) established the CT DWSRF program which provides financing for projects that have been identified by the State Department of Public Health (“DPH”) as part of the agency’s responsibility for ensuring the quality and adequacy of the State’s public drinking water sources. Funding is provided to communities in the form of long term low interest (currently estimated at 2.25% loans that can be repaid in terms of up to 20 years. However, due to the useful life of one of the projects being financed through CT DWSRF the life of this loan is expected to be 15 years. Such loans are often supplemented with grants. The program is administered by the DPH, the Department of Energy and Environmental Protection (DEEP) and the Office of the State Treasurer. The DWSRF program is funded through a partnership between the Environmental Protection Agency (EPA) and the states. The debt financing is through a project loan agreement, but only for such projects as have been approved by the DPH.

This application for a revenue increase in conjunction with the Authority’s issuance of its Water System Revenue Bonds, proposed to be issued in January 2022, is an “issuance test rate application,” meaning an application where all or a portion of the rate increase is based upon revenues needed for debt service of a new bond issue for capital expenditures.

Thus, this application seeks to demonstrate that the Authority must increase its rates for consumers of water in order to meet the debt service requirements of the resolution in the “Action” tab which authorizes the Authority’s issuance of its Bonds to fund its program of capital improvements along with CT DWSRF bonds.

The Authority issues debt to finance its capital programs, categorized as follows:

- Natural resources
(e.g., watershed protection; land management; dam improvements);
- Pumping
(e.g., building or upgrading pump stations);
- Treatment
(e.g., improvements to the Lake Gaillard water treatment plant);
- Transmission and distribution
(e.g., pipe, transmission mains, cleaning and lining);
- General plant
(e.g., information systems; equipment)

If approved, the proposed revenue increase will allow the Authority to finance its capital program, from approximately January 2022 through June 2023, and thereby continue its critical work of capital improvement.

The RPB’s Rules of Practice require the following: “...a statement of the proposed revenue increase reflected in absolute dollars and percent above historic revenues...”

d. Proposed revenue increase

In this application (see the issuance test on page 25), the Authority seeks approval to raise an additional \$7.911 million in annual revenue over its base revenue, i.e., revenue for the twelve-month period ended November 30, 2021, known as the “historical” period, which is an overall increase of 6.5%. As explained in detail in the “Rates and fees” tab, the Authority’s average residential customer would experience a rate increase of approximately \$10.85 per quarter, \$3.62 per month or 12 cents per day or 6.3%; with approval by the RPB.

The RPB’s Rules of Practice require the following: “...a statement explaining the role, if any, of the Rate Stabilization Fund in the rate application, including the Fund’s role with respect to allocation or expenditure of funds...”

e. Rate Stabilization Fund (“RSF”)

In its deliberations regarding this application, the Authority decided to propose no allocation in the issuance test from the Rate Stabilization Fund. (Please refer to pages 33-34 for a detailed discussion of the Authority’s rationale regarding an allocation.) Each time that it considers drawing or allocating money from the RSF, the Authority assesses a multiplicity of factors to make a business decision, the primary purpose of which is to protect the water customer by implementing predictable rate increases, as depicted in its long-term financial planning model.

Also, the Authority seeks to safeguard the RSF because it is a valuable and finite financial resource. Page 25 presents the issuance test for the proposed financing, anticipated to occur on or about January 5, 2022. Page 19 of this application provides the projected maintenance test for fiscal years 2022 and 2023 assuming the revenue increase proposed in this application.

For background to its decision regarding use of the RSF, please recall that the Authority established the fund in 1996. Described in Section 414 of the *General Bond Resolution*, the RSF resulted from a large refinancing undertaken by the Authority in 1993 that generated sufficient savings in debt service expense to allow the fund's creation. In order to preserve the RSF, which was severely depleted after two consecutive years (FY 2009 and FY 2010) of revenue deficiencies due to weather, the Authority believes it is important to seek a rate increase that generates the revenue needed to meet the issuance test. Over the last several years the Authority has focused on restoration of our depleted reserves and established a RSF target of \$10.0 million as discussed below.

The RPB's Rules of Practice require the following: "...an explanation of unusual circumstances involved in the application, to which the Board will be expected to direct its particular attention..."

f. Unusual circumstances

Cool temperatures and wetter-than-normal weather during the summer months of 2008 and 2009 substantially reduced the Authority's water revenue resulting in a \$1.4 million and \$3.2 million draw on the RSF for fiscal years ended May 31, 2009 and 2010, respectively.

After two consecutive wetter-than-normal summers leading to two consecutive draws on the RSF, the balance in the RSF decreased to approximately \$3 million, a reduction of 61% from its FY 2008 balance. RWA was able to begin replenishing the fund in FY 2011, FY 2012, and FY 2013. These contributions have brought the fund balance to the established target of \$10 million. At the end of FY 2021, the RSF was at the target level of \$10 million. While "non-cash" draws are forecasted in subsequent years, it is expected that there will be sufficient excess cash at year-end to retain the fund balance at the \$10 million target.

It should be noted, that this rate application does include the \$3 million transfer from the General Fund to the Construction Fund, to offset debt financing. This transfer was approved in June 2021. Subsequent to this transfer, the General Fund still remains above its \$10 million target.

In addition, the RWA has continued to experience a declining trend in draft averaging an approximately 1% reduction per year since 1999." A Water Research Foundation (WRF) April 2016 report, "Residential End Uses of Water, Version 2: Executive Report," found, for participating utilities, a 22% decrease since 1999 in average household indoor water use. More efficient appliances and fixtures contributed to this reduction and more than half of residences in this study did not meet the efficiency criteria for clothes washers and toilets and 20% did not meet the standards for showers. In addition, households that currently over-irrigate could change habits leading to lower outdoor water usage. This report indicated "Substantial indoor and outdoor conservation potential exists in the single family section. With 100% occurrence of higher efficiency devices, indoor household water use could drop 35% or more, to below 40

gallons per capital per day. Aggressive outdoor water conservation could reduce outdoor use even further.” The Alliance of Water Efficiency (“AWE”) in a white paper on Declining Sales and Water Utility Revenues published November 1, 2012, acknowledges an overall declining water usage trend noting a 1% to 3% decline annually is not uncommon. The AWE notes, “In the long term water supply and demand will find an efficient equilibrium. In the short term, however, reductions in water sales are a cause of fiscal stress for utilities.

The RPB’s Rules of Practice require the following: “...a concise and explicit statement of the facts on which the Board is expected to rely in granting the authorization sought...”

g. Facts upon which the RPB may rely

The RPB may rely upon the contents of this issuance test rate application as a statement of facts, as well as upon testimony given by members of the Authority’s management and its consultants in public hearing.

Section two: Perspective

The RPB's Rules of Practice require the following: "...a summary schedule of historical revenue increases, including the approved percentage increase in revenues and the effective date of each revenue increase..."

1. History of revenue increases

Prior to this rate application, the RPB most recently approved a rate increase that took effect in July 2019, in conjunction with the Authority's issuance of its Water System Revenue Bonds, Thirty-fourth Series Bonds. That rate increase was triggered by the issuance test of the *General Bond Resolution*.

The following presents the history of the Authority's revenue increases since 1980:

<u>Amount of increase</u> <u>In revenues (%)</u>	<u>Effective date</u>
6.5	January, 2022
6.1	July, 2019
3.0	January, 2018
6.7	June, 2016
7.5	December, 2014
7.2	May, 2013
13.0	July, 2011
8.2	April, 2010
4.2	April, 2009
3.6	April, 2008
4.6	February, 2007
5.1	October, 2005
4.5	September, 2004
2.5	August, 2000
3.7	June, 1999
4.6	August, 1996
5.3	April, 1992
7.4	March, 1991
9.5	March, 1990
7.2	November, 1988
3.1	August, 1986
5.1	June, 1984
5.2	May, 1983
10.8	May, 1981
14.5	August, 1980

The foregoing demonstrates that the Authority has obtained approval for twenty-four increases in water revenue over the past approximately forty one years, an increase over the "historical

period” in excess of every year and one-half on average. As a result of this current rate application, the typical residential customers would experience a rate increase of approximately \$10.85 per quarter, \$3.62 per month, 12 cents per day, or 6.3%.

In analyzing alternatives to an increase in water rates, it is important to note ways in which the Authority can generate revenue per the requirements of the issuance test. Given the Authority’s purpose and structure under its enabling legislation as a public corporation, constituting a public instrumentality and political subdivision of the State of Connecticut, and performing an essential governmental function (but without taxing power) in the exercise of its functions, the Authority currently generates revenue for purposes of the issuance test only through the following activities:

- Selling water and fire protection services;
- Collecting charges and fees from its water customers, as detailed in the “Rates and fees” tab;
- Selling wholesale water to neighboring water utilities;
- Charging users for programs that are compatible with its essential functions, e.g.,

“Other operating revenue—water”

Un-metered water
Facility charges
Service connection fees
Service calls
Field collection charges
Miscellaneous service charges
Miscellaneous
Deficient check charges
Forestry
Taps
Recreation

“Other operating revenue—proprietary”

Lab testing for outside parties
Property rentals
Garage repair program
PipeSafe (water service line protection plan)
PipeSafe Plus (sewer service and septic line protection plan)
PipeSafe Complete (including plumbing, sewer/septic, and water)

- The Authority, with the enabling legislation changes approved in 2017, is allowed to conduct environmental related activities (e.g., agriculture, renewable energy). In 2018, the *General Bond Resolution* was modified to incorporate these changes. The Authority is actively pursuing these additional avenues to mitigate rate increases.

Section 14 of the Act contemplates that the Authority’s rates and charges for use of the water supply system will provide the predominant source of revenue to operate the system in addition

to “other water supply related revenues.” Examples of “other water supply related revenues” are various fees, such as fees for meter installations. Please refer to the “Rates and fees” tab for more detail concerning “other revenue” from fees and charges.

The RPB’s Rules of Practice require the following: “...a statement explaining the current rate structure, referencing the latest cost of service study, and any proposed changes in the rate structure, supporting such proposal with such cost of service study and other data...”

2. Rate structure

A “water rate structure” is a schedule of fees designed, among other things, to recover the utility’s costs. Rate structures generally include four elements:

- Consideration of the classification of customers served (e.g., residential, commercial, industrial, as well as other classes such as public authority, public fire, and private fire);
- Meter and service connection size;
- Frequency of billing;
- Identification of charges that each class of customer will be assessed.

Cost allocation and rate design

The cost allocation and rate design incorporated into this rate application is based on the cost allocation and rate design study performed by Raftelis Financial Consultants, Inc. in July 2021. The purpose of the study was to evaluate the cost of operations, as well as the physical characteristics of the system and its customers’ relative requirements (demand) for water. Rates were then designed which could generate revenues from each class of customer in accordance with the estimated cost of serving each class of customer.

There are no rate design changes being proposed in this rate application. The rate design continues to reflect a volumetric charge on a per ccf basis applicable to each meter size. The service charge also varies by meter size. In the 2017 rate application, the monthly service charges were adjusted such that three monthly charges equal the quarterly charge. This was done in anticipation of monthly billing and monthly billing is to expected to be implemented in January 2022. (Please refer to the “Rates and fees” tab of this application which presents the different rates.)

Approximately 7.1% of the Authority’s water revenue comes from customers that may use more than one million cubic feet of water per quarter. Examples of those customers are the following:

Yale University
Yale New Haven Hospital, Incorporated
State of Connecticut Department of Corrections (Cheshire)
Milford Power Company
Quinnipiac University
Veterans’ Administration Connecticut Healthcare System (West Haven)

Medtronic, Incorporated f/k/a Covidien Ltd.
University of New Haven
PSEG Power CT LLC
Southern Connecticut State University

Economic development rate**

The Authority offers an “economic development rate” as an incentive to encourage new* commercial or industrial customers in its service area, for significantly expanding operations, or distressed businesses contemplating closing by assessing the customer at 80 percent of applicable water rates for the first five (5) years of occupancy. Rates will be subject to periodic effects of a general rate increase and/or surcharges. If the customer’s period of occupancy is less than five (5) years, the Authority will pro-rate the full rate back to the first date of occupancy. After the initial five (5) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate they must consume at least 500,000 gallons of water per year.

* A new customer is defined as relocating to the Authority’s service area from out-of-state or from another service area within Connecticut

**With exceptions reviewed on a case by case basis.

The RPB’s Rules of Practice require the following: “...a summary statement of required revenues by class of consumer for the current fiscal year and the year following the fiscal year setting forth the funds required for operating and maintenance expenses, debt service requirements, payments in lieu of taxes, and amount necessary to meet general bond resolution requirements...”

3. Maintenance test (summary statement; below shows revenues by class of consumer)

**Maintenance Test:
Summary statement of required revenues
(\$000 Omitted)**

	Fiscal Year 2022 Projected	<i>Pro Forma</i> Year *	Fiscal Year 2023 Projected
Operating and maintenance expenses	\$ 59,741	\$ 61,672	\$ 62,521
PILOT	8,950	9,148	9,390
Depreciation expense	6,917	7,500	7,500
Debt service payments @ 114%	49,899	50,488	49,938
Proposed debt payments @ 114%	-	1,614	2,801
Required revenue	\$ 125,507	\$ 130,423	\$ 132,150

* 12-month period beginning January 1, 2022.

Assumptions underlying the summary schedule, above:

The “required revenues” shown above are the cash collections required to meet the maintenance test for the period noted, not the issuance test for the proposed financing to occur on or about January 5, 2022, which is shown on page 25. For the current fiscal year (FY 2022), the Authority has projected the maintenance test using the FY 2022 budget, with only updates for timing of cash collections within FY 2022 based on information subsequent to the FY 2022 being finalized. The FY 2022 budget is also updated for the additional depreciation associated with the new rates becoming effective. Due to the timing of the additional debt associated with this rate application, there will not be an additional debt service payments in FY 2022 associated with the new RWA bonds but there will be an increase in debt service transfers. There is additional FY 2022 debt payments anticipated associated with new CT DWSRF financing.

The debt service shown above includes debt service in the *Pro Forma Year* and the approaching fiscal year (beginning June 1, 2022), assuming issuance of the proposed debt. Operating and maintenance expenses for the *Pro Forma Year* include projected amounts from January 2022 through December 2022, that are based on budgeted figures for the current fiscal year and projections for the period June 2022 to December 2022. Projections are based on fiscal 2022 adjusted for known and anticipated variances. *Pro-Forma Year* projections include review of inflation factors in the March 2021 Congressional Budget Office update and other source information (e.g., prior pension and other projections from the Authority’s actuary). For more detail regarding the assumptions underlying the figures presented on this page, please refer to pages 25-39.

July 19, 2021: Issuance test rate application

Summary of revenue from existing rates by class of customer
(\$000 Omitted)

	FY 2022 Projected revenues without rate increase	Projected revenues <i>Pro Forma Year</i> (1/1/22 to 12/31/22)	FY 2023 Projected revenues
Water revenue collected:			
<u>Revenue class:</u>			
Residential	\$ 83,047	\$ 82,592	\$ 81,369
Commercial	16,467	16,506	16,134
Industrial	1,949	1,954	1,910
Public authority	3,061	3,068	2,999
Seasonal	480	481	470
Total by class	<u>105,004</u>	<u>104,601</u>	<u>102,882</u>
<u>Fire service revenue:</u>			
Private	2,516	2,516	2,901
Public	8,176	8,176	8,424
Total fire service	<u>10,692</u>	<u>10,692</u>	<u>11,325</u>
Wholesale revenue	933	929	929
Subtotal water revenue	<u>116,629</u>	<u>116,222</u>	<u>115,136</u>
Miscellaneous & Facility charges	1,335	1,335	1,335
Other revenue	5,569	5,569	6,204
Total revenue	<u>\$ 123,533</u>	<u>\$ 123,126</u>	<u>\$ 122,675</u>

**Projected maintenance tests if rate increase
is approved and the Proposed Bonds are issued
(\$000 Omitted)**

	Fiscal Year 2022	Fiscal Year 2023
Water sales revenue	\$ 118,425	\$ 122,821
Non-water revenue	6,916	7,379
From rate stabilization fund	-	1,143
BABs subsidy	657	657
Investment income	150	150
	<u>126,148</u>	<u>132,150</u>
Operating and maintenance expenses	59,741	62,521
Depreciation Expense	6,917	7,500
PILOT	8,950	9,390
	<u>75,608</u>	<u>79,411</u>
Net revenue available for debt service (A)	<u>\$ 50,540</u>	<u>\$ 52,739</u>
Debt service payments	\$ 43,771	\$ 43,805
Payments on proposed bonds	-	2,457
Total debt payments (C)	<u>\$ 43,771</u>	<u>\$ 46,262</u>
Total debt payments x 114% (B)	<u>\$ 49,899</u>	<u>\$ 52,739</u>
Maintenance test overage (A-B)	<u>\$ 641</u>	<u>\$ 0</u>
Coverage (A/C)	<u>115%</u>	<u>114%</u>
Required coverage	<u>114%</u>	<u>114%</u>

Note: The maintenance tests, above, for fiscal years 2022 and 2023 (ending May 31st) illustrate anticipated coverage of 114% for each year, with a “non-cash” allocation in FY 2023 from the RSF, assuming that the RPB approves the revenue increase and the bonds proposed in this application.

Also, the increase in water sales revenue from FY 2022 to FY 2023 reflects assumptions of declining billed consumption and implementation of the proposed rate increase effective January 2022. It should be noted that the projection for FY 2022 includes a one-time increase associated

with the conversion to monthly billing under a “big bang” scenario (i.e., conversion of all quarterly customers occurs in the same month, January 2022).

The RPB’s Rules of Practice require the following: “...a statement identifying the historic twelve consecutive months period selected from the relevant eighteen month period upon which to base changes in rates, charges and rate structure and the rationale and basis for that selection. Such statement shall include a schedule setting forth the actual revenues raised during such twelve month period...”

4. Historic period of twelve months used in the issuance test

Historical revenues for period of twelve consecutive months

Section 619A(1) of General Bond Resolution

(\$000 Omitted)

Twelve month period	Net water sales collections	Non-water sales	Interest income	BABs Subsidy	Total collections	
Jul 20 - Jun 21	\$ 117,409	\$ 6,650	\$ 163	\$ 663	\$ 124,885	estimated
Aug 20 - Jul 21	\$ 117,747	\$ 6,640	\$ 152	\$ 663	\$ 125,202	estimated
Sep 20 - Aug 21	\$ 116,013	\$ 6,499	\$ 146	\$ 992	\$ 123,650	estimated
Oct 20 - Sep 21	\$ 116,731	\$ 6,536	\$ 135	\$ 992	\$ 124,394	estimated
Nov 20 - Oct 21	\$ 116,385	\$ 6,411	\$ 139	\$ 992	\$ 123,927	estimated
Dec 20 - Nov 21 (1)	\$ 115,478	\$ 6,564	\$ 149	\$ 992	\$ 123,183	estimated
Jan 21 - Dec 21	\$ 116,475	\$ 6,576	\$ 154	\$ 659	\$ 123,864	estimated

(1) Twelve month period used in the projection of revenue

Rationale: The eighteen months preceding the issuance of bonds on or about, January 5, 2022 are July 2020 through December 2021. The Authority selected the twelve months from December 2020 through November 2021 as the “historic period” because these twelve months present the lowest cash collections in the eighteen months preceding the issuance of the bonds, the result being that the issuance test demonstrates a lower historical revenue than if the Authority selected a twelve-month period with higher cash collections.

The RPB's Rules of Practice require the following: "...a summary statement of revenues anticipated to be received, reflecting any shortfall or excess in such revenues, from existing rates in the current fiscal year and the year following the fiscal year if no rate action is taken, noting in particular any utilization of the Rate Stabilization Fund..."

5. Anticipated cash collections in the current and approaching fiscal years if there is no increase in rates.

Calculation of shortfall in revenue in FY 2022 if no rate action is taken

Fiscal Year 2022 Maintenance test and cash flow

(\$000 Omitted)

	Without Proposed Bonds		With Proposed Bonds	
	Present Rates		Present Rates	
	Maintenance Test	Cash Flow	Maintenance Test	Cash Flow
Water sales revenue	\$ 116,629	\$ 116,629	\$ 116,629	\$ 116,629
Non-water revenue	6,904	6,904	6,904	6,904
BABs subsidy	657	657	657	657
Investment income	150	150	150	150
	<u>124,340</u>	<u>124,340</u>	<u>124,340</u>	<u>124,340</u>
Operating and maintenance expenses (see page 27 for detail)	59,741	59,741	59,741	59,741
Depreciation Expense	6,500	-	6,500	-
PILOT (see page 33 for detail)	8,950	8,950	8,950	8,950
Debt service deposits	-	44,334	-	44,334
Proposed bonds deposits	-	-	-	1,177
	<u>75,191</u>	<u>113,025</u>	<u>75,191</u>	<u>114,202</u>
Net	49,149	11,315	49,149	10,138
Debt service payments x 1.14	49,899	-	49,899	-
Proposed bonds payments x 1.14	-	-	-	-
Maintenance test (shortfall)	<u>\$ (750)</u>		<u>\$ (750)</u>	
Cash flow (shortfall)		<u>\$ 11,315</u>		<u>\$ 10,138</u>

Note: The schedule shown above demonstrates that the Authority would experience a shortfall of approximately \$.75 million in the maintenance test for FY 2022, ending May 31, 2022, assuming present rates and no issuance of new debt in the first case and a shortfall of approximately \$.75 million at present rates and issuance of new debt in the second case. (There is no difference in the debt service payments on RWA bonds as payments on the proposed RWA bonds would not begin until FY 2023.)

Please note that the Authority's *General Bond Resolution* distinguishes between debt service payments, used in the maintenance test and debt service deposits (transfers), used in the cash flow test. Debt service transfers will increase in FY 2022 associated with the proposed new RWA bonds.

Calculation of shortfall in revenue in FY 2023 if no rate action is taken

Fiscal Year 2023 Maintenance test and cash flow

(\$000 Omitted)

	Without Proposed Bonds		With Proposed Bonds	
	Present Rates		Present Rates	
	Maintenance Test	Cash Flow	Maintenance Test	Cash Flow
Water sales revenue	\$ 115,136	\$ 115,136	\$ 115,136	\$ 115,136
Non-water revenue	7,539	7,539	7,539	7,539
BABs subsidy	657	657	657	657
Investment income	150	150	150	150
	<u>123,482</u>	<u>123,482</u>	<u>123,482</u>	<u>123,482</u>
Operating and maintenance expenses (see page 27 for detail)	62,521	62,521	62,521	62,521
Depreciation Expense	6,500	-	6,500	-
PILOT (see page 33 for detail)	9,390	9,390	9,390	9,390
Debt service deposits	-	44,424	-	44,424
Proposed bonds deposits	-	-	-	2,494
	<u>78,411</u>	<u>116,335</u>	<u>78,411</u>	<u>118,829</u>
Net	45,071	7,147	45,071	4,653
Debt service payments x 1.14	49,938	-	49,938	-
Proposed bonds payments x 1.14	-	-	2,801	-
Maintenance test (shortfall)	<u>\$ (4,867)</u>		<u>\$ (7,668)</u>	
Cash flow (shortfall)		<u>\$ 7,147</u>		<u>\$ 4,653</u>

Note: The schedule shown above demonstrates that the Authority would experience a shortfall of approximately \$4.867 and \$7.668 million in the maintenance test for FY 2023, ending May 31, 2023, assuming present rates and no issuance of new debt in the first case and present rates and issuance of new debt in the second case.

Please note that the Authority’s *General Bond Resolution* distinguishes between debt service payments, used in the maintenance test and debt service deposits (transfers), used in the cash flow test.

The RPB’s Rules of Practice require the following: “...a schedule comparing the capital expenditures budgeted for a particular fiscal year with those actually completed in that same year for each of the three most recently completed fiscal years. Such schedule shall also state the percentage of the current fiscal year’s capital budget expended through the end of the month prior to the filing of the rate application and the projected expenditures through the end of the fiscal year...”

6. Capital expenditures (\$000 omitted) –

<u>Fiscal Year</u>	<u>Budgeted Expenditure*</u>	<u>Actual Expenditure*</u>	<u>Exclusive of Water Shed Protection % Expended</u>	<u>Amount Carried Over from Previous Fiscal Year</u>
2019	\$ 30,124	\$ 29,031	96	1785
2020	\$ 31,614	\$ 26,001	82	1092
2021	\$ 19,281	\$ 18,550	96	753

*Budgeted amount excludes contingency and state and redevelopment and growth fund projects.

- 1) Through June 2021, fiscal year 2022, the Authority has expended approximately \$982,000 representing 2.4% of the capital budget, excluding contingency, state and redevelopment, and capital projects funded by the growth fund. The fiscal year 2022 budget includes carry-overs from the preceding fiscal year. Management is projecting to meet or exceed the 96% capital expenditure target which excludes contingency and state and redevelopment and growth fund projects. For the fiscal year ending May 31, 2021, the, Authority expended \$18.550 million representing approximately 96.2% of the capital budget, excluding contingency, state and redevelopment, and growth fund.
- 2) It should be noted that the lower percentage of fiscal 2020 expenditures vs. the budget was due to purposely lowering capital expenditures in order to conserve available funds in light of COVID-19, including the associated uncertainties.

Section three: Issuance test and the use of bond proceeds

The RPB's Rules of Practice require the following: "...a detailed statement of required revenues for the *Pro Forma Year* setting forth the projected operating and maintenance expenses, by line item; debt service schedules and projected debt, including projected debt service at interest rates in increments of 50 basis points that fall within the range of potential rates at the time of issue; and payments in lieu of taxes."

Note: The *Pro Forma Year* is the twelve-month period following the date on which a projected rate increase is to take effect, i.e., for this application, the twelve months beginning on or about January 5, 2022.

It is assumed that the proposed new bond issuance will be issued for a thirty year term. The interest rate assumed for new bonds is 3.75% and 2.25% for CT DWSRF financing. CT DWSRF financing in this rate application is for a period of 20 years, except for one project for which the financing is assumed to be 15 years due to the useful life of the assets being financed. As indicated in the proposed resolutions, we are proposing the actual rate increase be adjusted to reflect the debt service that we incur. Since it is impractical to establish revenue requirements for all possible debt service levels, we have reflected revenue requirements for changes in interest rates (and resulting debt service). Interest rate changes in increments of 50 basis points were used. If the interest rate (and resulting debt service) falls between two levels reflected on page 31, we would be required to use the higher level in order to meet the Issuance Test. This would be similar to the procedures used in previous rate cases.

1a. Required revenue from rates (the issuance test)

Issuance Test:

Computation of additional revenue required to meet issuance test during the *Pro Forma Year* (\$000 Omitted)

Operating and Maintenance Expenses (see page 26 for detail)	\$ 61,672	
PILOT (see page 32 for detail)	9,148	
Debt Service @ 114% (see page 30 for detail)	50,224	
Payments on proposed bonds @ 114% (see pages 28 & 29 for detail)	2,551	
Depreciation	<u>7,500</u>	
Revenue requirements	131,094	
Reduction for subsidy received in twelve month period	(992)	
Reduction for historical interest income received in twelve month period (see page 20)	<u>(149)</u>	
Minimum amount to be raised from water revenue and non-water revenue	129,953	(A)
Historical revenues for period of twelve consecutive months (see page 20)		
	Water revenue	\$ 115,478
	Non-water revenue	<u>6,564</u>
		<u>122,042</u> (B)
Minimal additional revenue required (A) - (B)		<u>\$ 7,911</u>
Minimal additional revenue resources		
Rate stabilization fund	\$	-
Increase rates and charges		<u>7,911</u> (C)
		<u>\$ 7,911</u>
Minimal additional revenue required as a percentage (C) / (B)		<u>6.48%</u>

Note: This exhibit shows the amount of additional revenue that the Authority must generate to meet the issuance test for the *Pro Forma Year* beginning January 2022. Detailed sheets supporting the various line items of the issuance test follow, beginning on page 26.

1b. Operating and maintenance expense

Operating and maintenance expenses projected for issuance test during the *Pro Forma Year* beginning 1/1/2022 - by line

(\$000 Omitted)

	Fiscal Year 2022 Budget	Projection 1/1/22 to 5/31/22	Projection 6/1/22 to 12/31/22	<i>Pro Forma</i> Year 1/1/22 to 12/31/22	Fiscal Year 2023 Budget
Payroll	\$ 23,577	\$ 9,892	\$ 14,166	\$ 24,058	\$ 24,284
Employee benefits	10,709	4,458	7,145	11,603	12,248
General and administrative	1,509	766	900	1,666	1,543
Transportation	728	313	434	747	744
Tools and stores	295	110	176	286	301
Utilities and fuels	1,405	587	838	1,425	1,436
Material from inventory	377	160	224	384	384
Administrative building space	944	419	563	982	965
Central lab/water quality	447	174	267	441	457
Environmental affairs	115	46	69	115	118
Pump power purchased	3,050	1,175	1,818	2,993	3,117
Chemicals	1,997	813	1,191	2,004	2,041
Road repairs	162	83	97	180	166
Postage	421	253	251	504	430
Printing and forms	77	26	46	72	79
Training & continuing education	269	129	160	289	275
Business Improvement	129	61	77	138	132
Info. systems maintenance fees	2,465	1,013	1,469	2,482	2,519
Collection expense	1,175	731	701	1,432	1,201
Public/customer information	409	165	239	404	409
Outside services	3,601	1,468	2,143	3,611	3,673
Insurance/Worker's Comp./Damages	1,754	738	1,046	1,784	1,793
Authority fees	157	65	93	158	160
Consumer counsel	60	25	36	61	61
RPB Fees and expenses	169	70	101	171	173
Organizational dues	102	32	61	93	104
Donations	37	16	22	38	37
Maintenance and repairs	3,179	1,237	1,895	3,132	3,249
Regulatory Asset Amortization	422	176	246	422	422
Totals	\$ 59,741	\$ 25,201	\$ 36,471	\$ 61,672	\$ 62,521

Note: The issuance test requires operating and maintenance expenses to be projected for the twelve-month period subsequent to the date of issuance of the proposed bonds. This exhibit shows the adjustments required to the FY 2022 projections to arrive at the operating and maintenance expense for the twelve months beginning on or above January 5, 2022 and for the approaching fiscal year FY 2023.

1c. Debt service

The following pages 28 to 32 present a schedule showing prior aggregate debt service, as well as debt service proposed in connection with the proposed bonds, with the column on the far right showing total aggregate debt payments. The yield (cost) assumed for the proposed new debt is 3.75% and the CT DWSRF financing is at 2.25%. Asterisked is the Authority's FY 2029 which has the maximum debt service used in the issuance test.

Page 28, following the schedule described above, provides detail concerning the calculation of maximum annual debt service for purposes of the issuance test.

Page 31 presents a sensitivity analysis which projects debt service for the proposed bonds at yields in increments of 50 basis points, or .0050. ("Yield" measures the overall cost to the Authority of borrowing money through the issuance of debt.)

The application includes pre-January 2022 CT DWSRF financing of \$ 3.5 million. This \$3.5 million includes financing associated with the Brushy Plains Upgrade, Seymour Wellfield, and the System-Wide Radio Telemetry Unit (RTU) Upgrade.

Existing debt includes RWA water system bonds and ten CT DWSRF loans. In addition, page 28 reflects financing for three additional CT DWSRF loans expected to close prior to January 2022.

This rate application assumes that, prior to January 2022, RWA is successful in securing the CT DWSRF financing for the three projects mentioned above; and reimbursing for prior expenditures. Such reimbursement proceeds are assumed to be available to fund the capital improvement plan within the eighteen month period covered in this application.

South Central Connecticut Regional Water Authority
Water System Revenue Bonds
Debt Service / Payments on Proposed Bonds

<i>Fiscal Year</i>	<i>Existing Debt Service (Bonds)</i>	<i>Existing Debt Service (DWSRF)</i>	<i>Existing Debt Service</i>	<i>Proposed DWSRF June - December 2021</i>	<i>Aggregate Debt Payments</i>
2022	\$ 41,759,090	\$ 1,807,682	\$ 43,566,772	\$ 204,043	\$ 43,770,816
2023	41,752,862	1,807,682	43,560,544	244,217	43,804,761
2024	41,752,254	1,807,682	43,559,936	244,217	43,804,153
2025	41,756,655	1,807,682	43,564,337	244,217	43,808,554
2026	41,749,044	1,807,682	43,556,726	244,217	43,800,943
2027	41,756,398	1,807,682	43,564,080	244,217	43,808,297
2028	41,754,147	1,807,682	43,561,829	244,217	43,806,046
2029	42,003,896	1,807,682	43,811,578	244,217	44,055,795
2030	41,270,887	1,807,682	43,078,569	244,217	43,322,786
2031	41,264,754	1,807,682	43,072,436	244,217	43,316,653
2032	41,048,068	1,807,682	42,855,750	244,217	43,099,967
2033	40,947,813	1,807,682	42,755,495	244,217	42,999,712
2034	40,954,186	1,807,682	42,761,868	244,217	43,006,085
2035	28,155,582	1,807,682	29,963,264	244,217	30,207,481
2036	28,098,324	1,807,682	29,906,006	244,217	30,150,223
2037	28,246,756	1,730,610	29,977,366	155,017	30,132,384
2038	28,604,694	1,376,586	29,981,280	125,284	30,106,564
2039	27,660,385	707,631	28,368,016	125,284	28,493,300
2040	13,896,910	351,359	14,248,269	125,284	14,373,553
2041	11,632,804	307,402	11,940,206	125,284	12,065,491
2042	9,026,630		9,026,630	10,440	9,037,070
2043	6,535,310		6,535,310		6,535,310
2044	6,541,514		6,541,514		6,541,514
2045	4,780,437		4,780,437		4,780,437
2046	2,982,825		2,982,825		2,982,825
2047	2,048,250		2,048,250		2,048,250
2048	2,048,000		2,048,000		2,048,000
2049	1,594,750		1,594,750		1,594,750
2050	1,593,875		1,593,875		1,593,875
2051	-		-		-
2052					
	\$ 743,217,099	\$ 31,588,818	\$ 774,805,917	\$ 4,289,675	\$ 779,095,592

Note: Amounts may not total due to rounding.

**South Central Connecticut Regional Water Authority
Water System Revenue Bonds
Debt Service / Payments on Proposed Bonds, DWSRF**

<i>Fiscal Year</i>	<i>RWA</i>		<i>3.750% Proposed Bonds</i>				<i>RWA</i>	
	<i>Total Aggregate Debt Payments</i>		<i>Coupon</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Total Aggregate Debt Payments</i>	
2022	\$	43,770,816		\$ -	\$ -	\$ -	\$	43,770,816
2023		43,804,761	3.500%	220,000	2,237,430	2,457,430		46,262,191
2024		43,804,153	3.500%	380,000	2,077,500	2,457,500		46,261,653
2025		43,808,554	3.500%	390,000	2,064,000	2,454,000		46,262,554
2026		43,800,943	3.500%	420,000	2,047,800	2,467,800		46,268,743
2027		43,808,297	3.500%	440,000	2,028,400	2,468,400		46,276,697
2028		43,806,046	3.500%	470,000	2,005,650	2,475,650		46,281,696
2029		44,055,795	3.500%	250,000	1,987,650	2,237,650		46,293,445 *
2030		43,322,786	3.500%	1,005,000	1,956,275	2,961,275		46,284,061
2031		43,316,653	3.500%	1,065,000	1,904,525	2,969,525		46,286,178
2032		43,099,967	3.500%	1,120,000	1,849,900	2,969,900		46,069,867
2033		42,999,712	3.500%	1,180,000	1,792,400	2,972,400		45,972,112
2034		43,006,085	3.500%	1,240,000	1,731,900	2,971,900		45,977,985
2035		30,207,481	3.500%	1,300,000	1,668,400	2,968,400		33,175,881
2036		30,150,223	3.500%	1,370,000	1,601,650	2,971,650		33,121,873
2037		30,132,384	3.500%	1,440,000	1,531,400	2,971,400		33,103,784
2038		30,106,564	3.500%	1,505,000	1,465,300	2,970,300		33,076,864
2039		28,493,300	3.500%	1,565,000	1,403,900	2,968,900		31,462,200
2040		14,373,553	3.500%	1,630,000	1,340,000	2,970,000		17,343,553
2041		12,065,491	3.500%	1,695,000	1,273,500	2,968,500		15,033,991
2042		9,037,070	3.500%	1,765,000	1,204,300	2,969,300		12,006,370
2043		6,535,310	3.500%	1,850,000	1,122,750	2,972,750		9,508,060
2044		6,541,514	3.500%	1,945,000	1,027,875	2,972,875		9,514,389
2045		4,780,437	3.500%	2,040,000	928,250	2,968,250		7,748,687
2046		2,982,825	3.500%	2,145,000	823,625	2,968,625		5,951,450
2047		2,048,250	3.500%	2,255,000	713,625	2,968,625		5,016,875
2048		2,048,000	3.500%	2,375,000	597,875	2,972,875		5,020,875
2049		1,594,750	3.500%	2,495,000	476,125	2,971,125		4,565,875
2050		1,593,875	3.500%	2,620,000	348,250	2,968,250		4,562,125
2051		-	3.500%	2,755,000	213,875	2,968,875		2,968,875
2052		-	3.500%	2,900,000	72,500	2,972,500		2,972,500
	\$	779,095,592		\$ 43,830,000	\$ 41,496,630	\$ 85,326,630	\$	864,422,222
							<u>\$</u>	<u>46,293,445</u>

Note: Amounts may not total due to rounding.

1c. Debt service (continued)

**Annual debt service / payments on proposed bonds
(\$000 Omitted)**

Debt Service (bonds outstanding prior to January 1, 2022)

Maximum aggregate debt service in any year

(max debt year in FY 2029):

Twentieth Series A, Twenty-second Series, Twenty-seventh Series

Twenty-eighth Series, Twenty-ninth Series, Thirtieth Series

Thirty-first Series, Thirty-second Series, Thirty-third Series

Thirty-fourth Series, Thirty-fifth Series, 2010 Series A and CT DWSRF:

LG WTP Generator, Lake Saltonstall Intake, Tank Painting Automated Metering Infrastructure (four loans)

North Sleeping Giant, Burwell Hill Tank, Lake Saltonstall Roof Improvement, Seymour Wellfield, Brushy Plains Tank, and RTU project.

Debt service for issuance test	\$ 44,056	
Coverage requirement (114%)	x 1.14	
Maximum annual debt service @ 114%		\$ 50,224

Proposed bonds

RWA Principal and interest payment issued in 2022

\$ 2,238

Principal and interest for issuance test

\$ 2,238

Coverage requirement (114%)

x 1.14

Annual payment in 2029 @ 114%

2,551

Maximum annual debt payment

\$ 52,775

Note: The Authority's FY 2029 is the year it pays maximum annual debt service on all of its bonds outstanding, including the proposed bonds. Maximum aggregate debt payments multiplied by 114% equals \$52.775 million, as shown above, the amount used to compute required revenue under Section 619 of the Authority's *General Bond Resolution*. Please refer to page 25 for the issuance test which sums the figures of \$50.224 million and \$2.51 million to arrive at \$52.775 million.

July 19, 2021: Issuance test rate application

1c. Debt service (continued)

Sensitivity analysis

Projected debt service for Proposed Bonds

at yields* in increments of 50 basis points (.0050)

	<u>1.75%</u>	<u>2.25%</u>	<u>2.75%</u>	<u>3.25%</u>	<u>3.75%</u>	<u>4.25%</u>	<u>4.75%</u>	<u>5.25%</u>	<u>5.75%</u>
Assumed yield									
Maximum annual debt service	<u>\$ 45,644</u>	<u>\$ 45,766</u>	<u>\$ 45,967</u>	<u>\$ 46,134</u>	<u>\$ 46,293</u>	<u>\$ 46,639</u>	<u>\$ 46,861</u>	<u>\$ 47,104</u>	<u>\$ 47,345</u>
Revenues	\$ 130,355	\$ 130,494	\$ 130,723	\$ 130,914	\$ 131,095	\$ 131,489	\$ 131,743	\$ 132,070	\$ 132,394
Depreciation expense	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
O&M expenses	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>	<u>61,672</u>
Revenue available for debt service									
for debt service	61,183	61,322	61,551	61,742	61,923	62,317	62,571	62,898	63,222
Maximum annual debt service	<u>45,644</u>	<u>45,766</u>	<u>45,967</u>	<u>46,134</u>	<u>46,293</u>	<u>46,639</u>	<u>46,861</u>	<u>47,104</u>	<u>47,345</u>
Revenue after debt service	15,540	15,557	15,585	15,609	15,630	15,679	15,711	15,795	15,878
PILOT	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>
Revenue Fund balance	<u>\$ 6,392</u>	<u>\$ 6,409</u>	<u>\$ 6,437</u>	<u>\$ 6,461</u>	<u>\$ 6,482</u>	<u>\$ 6,531</u>	<u>\$ 6,563</u>	<u>\$ 6,647</u>	<u>\$ 6,730</u>
Before PILOT	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>	<u>134%</u>
After PILOT	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>
Percent increase over historical period (1)	<u>5.9%</u>	<u>6.0%</u>	<u>6.2%</u>	<u>6.3%</u>	<u>6.5%</u>	<u>6.8%</u>	<u>7.0%</u>	<u>7.2%</u>	<u>7.5%</u>
Minimum additional revenue required over historical period	<u>\$ 7,170</u>	<u>\$ 7,309</u>	<u>\$ 7,539</u>	<u>\$ 7,729</u>	<u>\$ 7,911</u>	<u>\$ 8,305</u>	<u>\$ 8,558</u>	<u>\$ 8,835</u>	<u>\$ 9,110</u>

* “Yield” measures the overall cost to the Authority of borrowing money through the issuance of debt. The Authority’s financial advisor estimated a yield of 3.75% on the Authority’s Bonds in June 2021 as reasonable for financial markets in January 2022. The CT DWSRF is estimated at 60% of the yield on the Authority’s Water System Bonds. **Note:** In light of volatility in the financial markets, the Authority presents this sensitivity analysis in increments of 50 basis points. This schedule assumes that the Authority issues new serial water system bonds over a term of 30 years. The above sensitivity analysis holds constant the rate on the CT DWSRF financing. The CT DWSRF financing in this application is over a term of 20 years, expect for one project where a term of 15 years is assumed due to the useful life of the assets being financed. Revenues on the third line include \$149,000 of “historic interest income” and \$992,000 of “historical BAB’s subsidy” that will be deducted from the calculation of “minimum additional revenue” in the issuance test shown in the on page 25. Page 25 reflects the column shown in bold on this page.

1d. Payments-in-Lieu-of-Taxes (“PILOT”)

**Payments-in-lieu-of-taxes ("PILOT")
(\$000 Omitted)**

Projected payments based on estimated Grand List and mill rates
as of 10/1/2020 and estimates associated with the 10/1/2021
Grand List and mill rates

Issuance Test (Pro Forma Year)

January 1, 2022	\$ 4,453
July 1, 2022	<u>4,695</u>
	<u><u>\$ 9,148</u></u>

Maintenance test and cash flow test (FY 2022 and FY 2023)

July 1, 2021	\$ 4,497
January 1, 2022	<u>4,453</u>
FY 2022	<u><u>\$ 8,950</u></u>
July 1, 2022	\$ 4,695
January 1, 2023	<u>4,695</u>
FY 2023	<u><u>\$ 9,390</u></u>

Note: This exhibit shows required PILOT to municipalities in which the Authority owns real or personal property. The amounts shown are used to compute coverage under the various tests outlined in the Authority’s *General Bond Resolution*.

The RPB's Rules of Practice require the following: "...a narrative of the Authority's rationale and methodology in determining revenue requirements and the sources of revenue expected to meet those requirements..."

1e. Rational and methodology to determine revenue requirements

The Authority determines the revenue requirements in an issuance test rate application by following the methodology required in Section 619A of the *General Bond Resolution*, quoted on pages 8 and 9 of this application. As noted there, the Authority must demonstrate that it will have sufficient net revenue after operating expenses to pay the projected debt service on bonds outstanding in the current or any future year, as well as for the bonds proposed in this rate application. It demonstrates this sufficiency by subtracting anticipated operating expenses from historical revenues (cash collected).

In calculating historical revenue, the *General Bond Resolution* directs the Authority to choose twelve consecutive months from the eighteen months preceding the issuance of the proposed debt, which, in this case, the eighteen month period is July 2020 through December 2021. As noted in the footnote on page 20 of this application, the Authority chose the twelve consecutive months from December 2020 through November 2021. This twelve month period represents the lowest cash collections in the eighteen months preceding the issuance of bonds. The Authority has selected this twelve month period as a result of RWA's continued net approximately 1% declining trend in draft. This decline is due in part to the development of more water efficient appliances such as washing machines and dish washers and the installation of improved low flow plumbing and devices such as toilets, showers heads and faucets. In addition to these new technologies, enhanced awareness by the general public as to water conservation and the economy, has contributed to this decline.

Once the Authority establishes a revenue requirement, in this case \$7.911 million, the Authority identifies sources of revenue to fulfill the requirement, typically by increasing water rates and charges and, possibly, by allocating dollars from the Rate Stabilization Fund (the "RSF"). The Authority also pursues other revenue sources as allowed under the Enabling Legislation to mitigate rate increases. Please refer to page 11 of this application for a discussion regarding the history of the RSF.

As noted briefly on page 11 of this application, the Authority considers a multiplicity of factors when it makes a business decision regarding an allocation from the RSF whose balance is approximately \$10.0 million. With the broad mandate to stabilize rates and the latitude granted under Section 414 of the *General Bond Resolution*, the Authority has the flexibility to exercise its judgment in balancing a variety of factors.

The primary factors affecting the Authority's decision not to allocate money from the RSF for purposes of this issuance test are the following:

- Financial structure

The RSF is a valuable financial resource, consistently discussed in credit reports issued by national rating agencies, i.e., Standard & Poor's and Moody's Investors' Services. That the current balance of the fund is sufficient to support three consecutive summers was noted in Standard & Poor's October 18, 2019 report as was an expectation that the Authority would maintain the fund at the \$10 million target. The June 4, 2019, Moody's report specifically referenced not having a draw from the RSF since fiscal 2010 and noted the balance in their discussion of the Authority's liquidity. The October 15, 2019 Moody's report maintained the ratings in the June 4, 2019 report. It is important for the Authority to safeguard a resource like the RSF. Relying on the fund, both through allocation or expenditure, increases the vulnerability of the Authority's financial structure and should, therefore, be avoided.

- The Authority's aged receivables

While there has been significant focus on and improvement in cash collections, receipt of timely payment (cash collections), collection of aged receivables is still a concern. In addition, while the adverse impacts of COVID-19 have not been as severe as anticipated, accounts receivables are at an elevated level. Therefore, the Authority thinks it prudent to safeguard the RSF by not allocating its proceeds in the issuance test.

- Maintain RSF balance

Cool temperatures and wetter-than-normal weather during FY 2009 and FY 2010 resulted in the Authority's need to draw \$1.4 million and \$3.2 million, respectively, from the Rate Stabilization Fund in order to meet the maintenance test. The RSF balance decreased to approximately \$3 million at the end of FY 2010, a reduction of 61% from the prior \$7.6 million balance. RWA was able to begin replenishing the fund in FY 2011, FY 2012, and FY 2013 bringing the balance to the target level of \$10 million. With the fund at the target level, and with projections of future non-cash draws, the Authority does not think it prudent to allocate money from the RSF to mitigate the revenue requirement shown in the issuance test.

The RPB's Rules of Practice require the following: "...A statement of assumptions used in calculating all data for the *Pro Forma Year* and the year following the fiscal year. Such statement shall include the assumed rate of growth of operating and maintenance expenditures along with any and all other relevant assumptions..."

1f. Assumptions

Please note that the exhibits and schedules in this issuance test rate application typically include a brief explanation regarding their purposes and conclusions, as well as a reference to pages in the application that provide more detail for the assumptions underlying the figures shown.

In addition to the information provided within each exhibit or schedule, as noted above, the following explains certain assumptions in response to the requirement of this section of the application:

(1) Operating and maintenance (“O&M”) expense—all years

(a) For FY 2022 (ending May 31, 2022)

The figure shown for FY 2022 is the Authority’s budgeted amount.

(b) For the *Pro Forma Year* (beginning January 5, 2022)

Projected amounts for the period from January 2022 through December 2022 are based upon FY 2022 projections adjusted for anticipated changes in each major expense category.

(c) For FY 2023 (ending May 31, 2023)

This figure uses the FY 2022 projection adjusted to reflect anticipated changes in each major expense category.

(2) Other assumptions for the *Pro Forma Year* beginning January 2022 and for FY 2023, beginning June 1, 2022.

(a) Water Revenues

Estimated water revenues are based on billed consumption versus draft. Billed revenues for the *Pro Forma Year* and FY 2023 are projected using historical consumption for the same month of the prior year reduced by 1% to reflect the customer’s trended decline in usage net of new customers. The billed revenue is converted to collected revenue using patterns of collection from prior years. The one time anomaly associated with the “big bang” conversion to monthly billing, expected to occur in FY 2022, is not projected into FY 2023.

(b) Wholesale water

Wholesale water is projected, per contract with the Authority’s three customers in this category—Aqurion, the city of Meriden, and Connecticut Water Service.

(c) Payments-in-lieu-of-taxes (“PILOT”)

PILOT is projected by estimating additions to and retirements from the municipalities’ Grand Lists, as well as estimating mill rates.

(d) Private and public fire service

The Authority projected revenues from private fire service based on number of connections from the prior year. Similarly, public fire service revenues are projected using the most current number of hydrants. The anticipated one-time FY 2022 impacts associated with changing the billing frequency for certain fire services and, for New Haven district private fire, the transition from billing in advance to billing in arrears is not projected into FY 2023.

(e) Debt service

Debt service payments are at fixed rates, per the Authority's schedules for its bonds currently outstanding.

The debt service payments include the additional CT DWSRF financings expected to close before January 5, 2022. Financing for these projects has been previously approved.

Regarding the new RWA proposed bonds, the amounts shown for debt service payment are estimated, assuming a yield (cost) of 3.75% and a principal amount of approximately \$43.8 million, excluding the approximately \$6.9 million premium. The Authority's financial advisor estimated this yield and the premium in June 2021. This application also includes approximately \$3.5 million financing through the CT DWSRF, projected to be at 2.25%.

(f) Maximum annual debt service

Please refer to page 30, which calculates the maximum annual debt service for any year in which bonds are outstanding, as referred to in Section 619C of the *General Bond Resolution*, and the resolutions beginning on page 77 regarding the proposed bonds.

The RPB's Rules of Practice require the following: "a statement setting forth the Authority's most recent five-year plan of capital improvements adjusted for any carry over projects. Such statement shall also discuss the relationship of planned capital spending to the corporate planning model and such plan's consistency with the Authority's strategic plan..."

2. Use of bond proceeds

(a) Five-year plan of capital improvements

The following page presents the Authority's five-year plan of capital improvements, originally approved in May, 2021, but revised in June, 2021, to reflect "carryovers" (incomplete projects) from the previous fiscal year to the current fiscal year.

July 19, 2021: Issuance test rate application

-CAUTION-

THE DISCLOSURE OF CERTAIN INFORMATION ON PAGES, MAPS OR OTHER MATERIALS STAMPED HEREIN MAY POSE A SAFETY AND SECURITY RISK TO PERSONS AND/OR PROPERTY. THE DETERMINATION TO DISCLOSE THIS INFORMATION SHALL ONLY BE MADE PURSUANT TO C.G.S. SECTION 1-210.

South Central Connecticut Regional Water Authority 5-Year Plan of Capital Improvements (000's omitted)

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	TOTAL
NATURAL RESOURCES (1)						
Land Management	\$ 20	\$ 20	\$ 20	\$ -	\$ 50	\$ 110
Watershed Protection	125	100	100	100	100	525
Improvements to Reservoir Intakes	325	-	-	190	810	1,325
Improvements to Reservoir Dams & Spillways	-	20	20	525	4,300	4,865
Lake Whitney Dam & Spillway Improvements	600	10,500	18,800	8,700	-	38,600
Bridge Refurbishments	-	-	-	300	-	300
Tunnel Repairs & Improvements	480	400	100	550	100	1,630
Miscellaneous	208	85	60	65	338	756
	1,758	11,125	19,100	10,430	5,698	48,111
TREATMENT (2)						
Lake Saltonstall WTP Process Improvements	1,875	2,340	1,462	500	200	6,377
Lake Gaillard WTP Process Improvements	2,626	5,475	7,425	2,894	2,410	20,830
West River WTP Process Improvements	7,530	7,000	1,400	150	150	16,230
Lake Whitney WTP Process Improvements	680	150	375	500	100	1,805
Improvements to Groundwater Treatment Facilities	3,384	1,185	1,105	1,525	1,650	8,849
Filter Media Replacement	500	500	500	500	500	2,500
Miscellaneous	375	673	200	650	600	2,498
	16,970	17,323	12,467	6,719	5,610	59,089
TRANSMISSION & PUMPING (3)						
Pipe and Transmission Main	7,716	5,825	6,575	7,175	9,100	36,391
Cleaning and Lining	-	-	100	3,000	1,000	4,100
Valve Replacements	300	250	250	250	400	1,450
Service Connections & Hydrants	2,125	2,425	2,425	2,525	2,525	12,025
Meters	105	50	50	50	50	305
AMI Meters	610	-	-	-	-	610
Tank Painting & Improvements	24	100	60	1,150	2,050	3,384
Tank Construction/Replacement	2,830	1,300	2,700	11,500	9,000	27,330
Motor Control Center Replacements/Electrical Improvements	-	-	-	-	250	250
Critical Pump Station & Transmission Facilities Upgrades	350	750	900	900	2,000	4,900
Variable Frequency Drive Replacements	150	60	150	150	200	710
Pump Station Generator Replacements	125	700	-	-	-	825
Burwell Hill Pump Station Equipment Replacement	647	-	-	-	-	647
Spring Street Pump Street Pump Station Replacement	305	4,000	5,000	-	-	9,305
Miscellaneous	1,053	860	575	985	1,605	5,078
	16,539	16,320	18,785	27,685	28,180	107,509
GENERAL PLANT (4)						
Information Systems	2,398	3,755	2,361	1,712	2,287	12,512
SAP Customer Channels Sales & Marketing	225	250	250	200	75	1,000
Data Center Life Cycle Replacements	630	650	650	650	650	3,230
System-Wide RTU Upgrade	700	-	-	-	-	700
Equipment	527	822	937	1,065	920	4,271
90 Sargent Drive	60	100	125	300	315	900
	4,540	5,577	4,323	3,927	4,247	22,613
CONTINGENCY	500	500	547	488	437	2,472
TOTAL	\$ 40,307	\$ 50,845	\$ 55,222	49,249	44,172	\$ 239,794
ESCALATED TOTAL (5)	\$ 40,307	\$ 52,370	\$ 58,585	53,815	49,716	\$ 254,793
CONSTR. FUND STATE & REDEV REVOLV. ACCT	\$ 3,000	\$ 3,000	\$ 3,000	3,000	3,000	\$ 15,000
NON CORE BILLING, PSW, PSS, HP, MIGRATION (6)	\$ 745	\$ 325	\$ 360	40	40	\$ 1,510

(1) Projects required to provide for present and future water requirements as well as protection of existing water supplies.

(2) Projects which are necessary to maintain compliance with all Federal and State regulations as well as provide an adequate supply for future expansion of water demand.

(3) Projects necessary to correct deficiencies in the system and provide for current and future demands needed for both consumption and fire protection, as well as modify and upgrade pumping facilities.

(4) Expenditures for specific items including information systems, equipment, vehicles and plant modifications.

(5) Escalated at 3% per year.

(6) To be funded out of the Growth Fund

2b. Financial planning model

The Authority reviews annually its long-range financial planning model. In October 2020, this model was updated to present a view forward through FY 2030, including the Authority's projected capital expenditure plan.

2c. Strategic plan

The Authority's existing five-year strategic plan has been updated for the period fiscal 2020 to fiscal 2025. Similar to the earlier strategic plans, the strategic plan is based on the principles of the Balanced Scorecard Management system, and follows four perspectives: Customer/Constituents; Employee Learning and Growth; Financial; and Internal Business Processes. The current five-year plan incorporates strategic goals that guide the organization and will provide a guide for the next several years. In addition, the current strategic plan reflects the efforts of envisioning 2050 and the anticipated trends, including revising certain near term priorities based on those trends.

The financial perspective includes the financial viability and operational resiliency attributes. The strategic goal, pertaining to mitigation of rate increases, is supported by four strategic initiatives:

- Expanding commercial revenue sources to mitigate rate increases
- Improve financial operating performance (e.g., capital efficiency and debt leverage)
- Strengthen pension and other post-retirement benefits funding

In a continued effort to improve capital efficiency, the strategic plan includes the development and implementation of an asset management program and also fully linking the technology roadmap to the capital and operating and maintenance budgets. The Authority has been executing against the plan to reduce debt through utilizing the CT DWSRF, alternative financing, and grant opportunities.

In FY 2017, GHD Inc. was retained to perform an audit looking at future capital expenditures. The audit evaluated the appropriateness of management's future capital budgets over the near-term (2018 to 2022) and longer-term (2023 to 2032). GHD's prospective assessment was in contrast to Louis Berger's that examined past expenditures and system condition evaluations. The level of spending across the five-year plan continues to generally reflect the recommendations of the 2017 GHD Capital Expenditure Forecast Audit. However, anticipated expenditures in the certain categories have increased (e.g., the Lake Whitney Dam & Spillway Improvements project in the Natural Resources category). A review of the Information Technology component of General Plant was not part of the GHD's audit.

The capital spending to be financed with the proposed bonds incorporates the 3R's, Risk, Resiliency, and Redundancy and the approach to capital planning presented with the October 2020 ten year model. A few of the larger projects requiring funding during the eighteen month period covered by this rate application include the Improvements to Lake Whitney Dam & Spillway Improvements, the West River Water Treatment Plant Dissolved Air Flotation project, and Spring Street Pump Station. The global metric of 96% (exclusive of contingency, state and redevelopment, and growth fund) has been achieved in most recent years with the exception of fiscal 2018 and fiscal 2020. In fiscal 2018, 94.5% was achieved. The target was impacted by two

high-priority projects, the Great Hill tunnel and pipeline restoration and the Lake Whitney treatment plant underdrain work. Therefore, achieving 94.5% was a significant accomplishment, given the larger capital budget, due to these high-priority projects. In fiscal 2020, the capital program was purposely reduced to conserve funds due to COVID-19 and the decision to delay the rate application filing that had been planned for July 2020, with a January 2021 effective date, if approved.

RWA has worked since 2009 to achieve operating and capital efficiencies. At the time of the 2019 rate application, approximately \$22.6 million in savings was identified since the time the initial (2009 to 2014) strategic plan was implemented, resulting in water rates being lower than they would have otherwise been by about 20%. This rate application reflects an additional savings bringing the total savings to approximately \$2.2 million, resulting in water rates being lower than they otherwise would have been by about 21%.

Consistent with the base and target ten-year financial plan, presented in October 2020 there is no proposed coverage increase incorporated into this rate application. On November 20, 2012, the Authority approved an amendment to the General Bond Resolution to increase the debt service coverage from 112% to 114%, effective with the 2012 rate application.

The ten-year financial plan incorporates depreciation expense into the calculation of net revenues. The *General Bond Resolution* recognizes depreciation expense of no less than \$55,555 per month for the period covered by the rate application, equivalent to 1,000,000 for a rate application that covers eighteen months, but no greater than 10% of book depreciation expense in the definition of net revenues. The purpose of gradually incorporating depreciation expense is to improve cash flow in an effort to help fund capital improvements and replenish reserves. This rate application includes a depreciation increase of \$1,000,000. The last rate application also included an increase of \$1,000,000.

3. Consequences, should the Representative Policy Board reject this application:

If the RPB does not approve this application, the Authority would not be able to fund the Authority's program of capital improvements because the Authority could not raise its rates to meet the requirements of the issuance test without a considerable draw on the RSF and, as a result, would not undertake a financing as anticipated on or about January 5, 2022. Thus, if the RPB took no action on this application, the Authority could not continue its capital program as it has in the past. Not approving this rate application would also severely jeopardize the ability of the Authority to obtain interim subordinate financing, including for emergency projects, and the ability to secure lower cost CT DWSRF financing, both of which benefit the customer. In addition, not approving this application would jeopardize the Authority's credit rating that could lead to a higher cost of debt, adversely impacting the customer. Finally, the Authority would be unable to meet its maintenance test coverage requirements of 114%. A draw from the RSF would be required to meet the test as shown on pages 21 and 22.

Section four: Debt

The RPB's Rules of Practice require the following: "...a summary statement of debt history."

1. History

Page 13 of this rate application presents the history of the Authority's revenue increases since 1980, each prompted by the Authority's issuance of debt:

The information on page 13 demonstrates that the Authority has obtained approval for twenty-four increases in water revenue over the past approximately forty-one years, an increase over the "historical period" approximately of over every one and one-half years, on average. This current rate application proposes a revenue increase of 6.5%, the result being that the Authority's typical residential customer within would experience a rate increase of approximately \$10.85 per quarter, \$3.62 per month, or 6.3%, as detailed in the "Rates and fees" tab.

In 1980, upon its formation, the Authority issued its first series of bonds to purchase the private, investor-owned New Haven Water Company, founded in the mid-nineteenth century by Eli Whitney, Jr. As a result of that large issuance, the Authority's net debt in 1981 was \$152.1 million, compared to plant of \$67.8 million, yielding a net debt-to-plant ratio of 224%. The debt as of May 31, 2021 was approximately \$516.2 million (at par) and \$26.6 million in CT DWSRF debt, excluding premiums, and leverage was approximately 85%. The Authority plans on closing an additional \$3.5 million in CT DWSRF debt prior to January 5, 2022.

The RPB's Rules of Practice require the following: "...A detailed statement of the magnitude of the debt to be issued and the mode(s) and terms of such debt..."

2. Narrative description of the proposed debt

As of May 31, 2021, the Authority's long-term outstanding debt, including the portion due within one year, was \$516.2 million (at par) and the Authority had \$26.6 million in CT DWSRF debt; these amounts exclude premiums. The Authority plans on closing an additional \$3.5 million in CT DWSRF financing anticipated prior to January 5, 2022 includes the Seymour Wellfield, Brushy Plains, and the System-Wide Radio Telemetry Unit (RTU) projects.

With this application, the Authority proposes to issue approximately \$50.7 million (including an anticipated premium) of new RWA water system bonds, to fund its program of capital improvements for approximately eighteen months, January 2022 through June 2023. The Authority is also proposing to finance approximately \$3.5 million through the CT DWSRF to take advantage of the more favorable interest rates, expected to close prior to January 5, 2022.

Of the proposed debt approximately \$50.7 million are anticipated to be in the form of water system revenue bonds which are general obligations of the Authority, issued pursuant to Connecticut Special Act No. 77-98, as amended, and the Authority's *Water System Revenue Bond Resolution General Bond Resolution*, adopted July 31, 1980, as amended and supplemented by all supplemental resolutions. The proposed bonds will be secured by a pledge of revenues of the Authority, pursuant to its *General Bond Resolution*, and all monies and

securities in all funds established by the *General Bond Resolution*. The \$3.5 million in CT DWSRF debt financing is also issued under the *General Bond Resolution*.

The Authority anticipates that the final maturity of the proposed new money water system bonds will be thirty years from the date of issuance although, because the bonds may be sold as serial bonds, they could have multiple maturities within the thirty years. As shown on page 29 of this application, the Authority estimates that the yield (cost) on the bonds will be approximately 3.75%, although volatility in the financial markets makes this cost difficult to assess. Notwithstanding the preceding information, the Authority may change the details of the bonds and their sale depending on the state of the financial markets in December, 2021 and January, 2022.

Please refer to the schedules on pages 28 and 29 of this application for a depiction of the annual debt service projected for the Authority's debt outstanding, the debt, previously approved and expected to be issued prior to January 5, 2022, and the proposed additional debt. For purposes of the issuance test, the schedule on page 29 specifies those series of bonds outstanding in order to identify the maximum aggregate debt service for any year in which bonds remain outstanding.

Section five: Proposed rates and fees

The RPB's Rules of Practice require the following: "...a detailed schedule comparing proposed rates and charge with existing rates and charges....In the event that a change in the rate structure is proposed in any rate application, a summary of any such proposed changes in the rate structure...."

The cost allocation and rate design incorporated into this rate application are based on a cost of service study performed by Raftelis Financial Consultants, Inc. in July 2021. The purpose of the study was to evaluate the cost of operations, as well as the physical characteristics of the system and its customers' relative requirements (demand) for water.

There are no rate design changes being proposed in this rate application. In the July 2017 application the monthly service charges were adjusted such that three monthly charges equal the quarterly charge. This was in preparation for monthly billing now anticipated in January 2022. The rate design continues to reflect a volumetric charge on a per ccf basis applicable to each meter size the service charge also varies by meter size.

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Service Charge & Volumetric Increase

Existing 2019 rate schedule:

Meter size	5/8"	5/8"	5/8"	1"	2"	2"	6"	8"
Cubic feet	500	2,500	8,000	30,000	54,000	100,000	1,000,000	1,500,000
Conversion to hundreds (divide)	100	100	100	100	100	100	100	100
	5	25	80	300	540	1,000	10,000	15,000
Cost per 100 cubic feet 5/8 - 3/4" meter (multiply)	4.406	4.406	4.406					
Cost per 100 cubic feet 1 - 2" meter (multiply)				4.019	4.019	4.019		
Cost per 100 cubic feet 3 - 6" meter (multiply)							3.758	
Cost per 100 cubic feet 8" and up meter (multiply)								3.468
	22.03	110.15	352.48	1,205.70	2,170.26	4,019.00	37,580.00	52,020.00
Meter charge (fixed)	61.14	61.14	61.14	94.29	216.78	216.78	1,780.65	2,902.98
Total quarterly bill	<u>\$ 83.17</u>	<u>\$ 171.29</u>	<u>\$ 413.62</u>	<u>\$ 1,299.99</u>	<u>\$ 2,387.04</u>	<u>\$ 4,235.78</u>	<u>\$ 39,360.65</u>	<u>\$ 54,922.98</u>

Proposed 2022 rate schedule:

Meter size	5/8"	5/8"	5/8"	1"	2"	2"	6"	8"
Cubic feet	500	2,500	8,000	30,000	54,000	100,000	1,000,000	1,500,000
Conversion to hundreds (divide)	100	100	100	100	100	100	100	100
	5	25	80	300	540	1,000	10,000	15,000
Cost per 100 cubic feet 5/8 - 3/4" meter (multiply)	4.780	4.780	4.780					
Cost per 100 cubic feet 1 - 2" meter (multiply)				4.377	4.377	4.377		
Cost per 100 cubic feet 3 - 6" meter (multiply)							4.089	
Cost per 100 cubic feet 8" and up meter (multiply)								3.789
	23.90	119.50	382.40	1,313.10	2,363.58	4,377.00	40,890.00	56,835.00
Meter charge (fixed)	62.64	62.64	62.64	96.66	222.21	222.21	1,825.17	2,975.58
Total quarterly bill	<u>\$ 86.54</u>	<u>\$ 182.14</u>	<u>\$ 445.04</u>	<u>\$ 1,409.76</u>	<u>\$ 2,585.79</u>	<u>\$ 4,599.21</u>	<u>\$ 42,715.17</u>	<u>\$ 59,810.58</u>
Total monthly bill	<u>\$ 28.85</u>	<u>\$ 60.71</u>	<u>\$ 148.35</u>	<u>\$ 469.92</u>	<u>\$ 861.93</u>	<u>\$ 1,533.07</u>	<u>\$ 14,238.39</u>	<u>\$ 19,936.86</u>
Total annual bill	<u>\$ 346.16</u>	<u>\$ 728.56</u>	<u>\$ 1,780.16</u>	<u>\$ 5,639.04</u>	<u>\$ 10,343.16</u>	<u>\$ 18,396.84</u>	<u>\$ 170,860.68</u>	<u>\$ 239,242.32</u>

	4.1%	6.3%	7.6%	8.4%	8.3%	8.6%	8.5%	8.9%
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Additional per Qtr.	\$ 3.37	\$ 10.85	\$ 31.42	\$ 109.77	\$ 198.75	\$ 363.43	\$ 3,354.52	\$ 4,887.60
Additional per Yr.	\$ 13.48	\$ 43.40	\$ 125.68	\$ 439.08	\$ 795.00	\$ 1,453.72	\$ 13,418.08	\$ 19,550.40
Additional per Mo.	\$ 1.12	\$ 3.62	\$ 10.47	\$ 36.59	\$ 66.25	\$ 121.14	\$ 1,118.17	\$ 1,629.20

Detailed presentation of rates and charges for the service area
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Introduction

The issuance test for the Authority’s proposed Water System Revenue Bonds, (“the bonds”) requires that the Authority increase its revenues by approximately 6.5% over comparable revenues for the twelve months ended November 2021 known as “the historical period” per section 619 of the *General Bond Resolution*. (Please refer to page 20 of this application regarding the Authority’s selection of this twelve-month period). In this application, the Authority proposes to issue its proposed bonds on or about January 5, 2022 depending on the status of the financial markets. Since the Authority’s current rates will not support the additional debt service requirements of the *General Bond Resolution’s* issuance test for the proposed financing, the Authority proposes a rate increase, effective in January 2022 upon delivery of all or a portion of the proposed bonds. There are no rate design changes being proposed in this rate application.

The following table provides examples of typical quarterly and monthly bills at existing and proposed rates for existing customers:

<u>Meter Size</u>	<u>Quarterly Consumption</u>		Existing Rates	Proposed Rates	Percent Increase
	in cubic feet (1)				
5/8"	500		83.17	86.54	4.1%
5/8"	2,500	*	171.29	182.14	6.3%
5/8"	8,000		413.62	445.04	7.6%
1"	30,000		1,299.99	1,409.76	8.4%
2"	54,000		2,387.04	2,585.79	8.3%
2"	100,000		4,235.78	4,599.21	8.6%
6"	1,000,000		39,360.65	42,715.17	8.5%
8"	1,500,000		54,922.98	59,810.58	8.9%

<u>Meter Size</u>	<u>Monthly Consumption</u>		Existing Rates	Proposed Rates	Percent Increase
	in cubic feet (1)				
5/8"	167		27.72	28.85	4.1%
5/8"	833	*	57.10	60.71	6.3%
5/8"	2,667		137.87	148.35	7.6%
1"	10,000		433.33	469.92	8.4%
2"	18,000		795.68	861.93	8.3%
2"	33,333		1,411.93	1,533.07	8.6%
6"	333,333		13,120.22	14,238.39	8.5%
8"	500,000		18,307.66	19,936.86	8.9%

*Average residential customer
 (1) one cubic foot equals 7.4805 gallons

The schedule shown above indicates that the average residential customer of the Authority's will experience a rate increase of approximately \$8.66 per quarter, \$2.89 per month or 5.1%. The rate specified in agreements with wholesale customers (Aquarion Water Company, the City of Meriden, and Connecticut Water Service) will increase by approximately 12.1%. Charges associated with the Authority's non-water revenue programs (see page 64), such as PipeSafe and laboratory testing, will not increase as part of this rate application.

The following pages show existing and proposed charges by various categories such as class of customer; quarterly, monthly and seasonal time frames; public and private fire service; miscellaneous water and non-water rates; local facilities and service connections; miscellaneous and other revenue.

July 19, 2021: Issuance test rate application

**Revenue Summary by
class of customer**
(\$000 omitted)

	FY 2022 Projected revenues	FY 2022 Projected Revenues with Proposed 6.5% increase	Historical Revenues 12-months ended 11/30/2021	Additional Revenues per issuance test (6.5% increase)	Total Proposed revenues per issuance test*
Water revenue collected:					
<u>Revenue class:</u>					
Residential	\$ 83,047	\$ 84,438			
Commercial	16,467	16,743			
Industrial	1,949	1,982			
Public Authority	3,061	3,112			
Seasonal	480	488			
Small (5/8 - 3/4")			\$ 69,258	\$ 4,290	\$ 73,548
Medium (1 - 2 ")			25,789	2,013	27,802
Large (3 - 6")			5,486	425	5,911
Very Large (8" and up)			2,803	226	3,029
Total by class	105,004	106,763	103,336	6,954	110,290
<u>Fire service revenue:</u>					
Private	2,516	2,516	2,772	274	3,046
Public	8,176	8,176	8,385	533	8,918
Total fire service	10,692	10,692	11,157	807	11,964
Wholesale revenue	933	970	985	110	1,095
Subtotal water revenue	116,629	118,425	115,478	7,871	123,349
Miscellaneous & Facility charges	1,335	1,347	1,218	40	1,258
Other revenue	5,569	5,569	5,346	-	5,346
Total revenue	\$ 123,533	\$ 125,341	\$ 122,042	\$ 7,911	\$ 129,953

*The total of \$129.953 million is in the issuance test on page 25 where the sum of lines B and C equals \$129.953 million

Quarterly water rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>	<u>Percent increase</u>
5/8"	\$ 61.14	\$ 62.64	2.5%
3/4"	71.37	73.17	2.5%
1"	94.29	96.66	2.5%
1 1/2"	142.80	146.37	2.5%
2"	216.78	222.21	2.5%
3"	633.99	649.86	2.5%
4"	951.60	975.39	2.5%
6"	1,780.65	1,825.17	2.5%
8"	2,902.95	2,975.58	2.5%
10"	4,127.40	4,230.60	2.5%
12"	5,352.33	5,486.16	2.5%
Privately Owned	20.34	20.84	2.5%

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>	<u>Percent increase</u>
Small (5/8 - 3/4" meters)	\$ 4.406	\$ 4.780	8.5%
Medium (1 - 2" meters)	4.019	\$ 4.377	8.9%
Large (3 - 6" meters)	3.758	\$ 4.089	8.8%
Very Large (8" and up)	3.468	\$ 3.789	9.3%

Monthly water rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>	<u>Percent increase</u>
5/8"	\$ 20.38	\$ 20.88	2.5%
3/4"	23.79	24.39	2.5%
1"	31.43	32.22	2.5%
1 1/2"	47.60	48.79	2.5%
2"	72.26	74.07	2.5%
3"	211.33	216.62	2.5%
4"	317.20	325.13	2.5%
6"	593.55	608.39	2.5%
8"	967.66	991.85	2.5%
10"	1,375.80	1,410.20	2.5%
12"	1,784.11	1,828.72	2.5%
Privately owned	20.34	20.84	2.5%

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>	<u>Percent increase</u>
Small (5/8 - 3/4" meters)	\$ 4.406	\$ 4.780	8.5%
Medium (1 - 2" meters)	4.019	\$ 4.377	8.9%
Large (3 - 6" meters)	3.758	\$ 4.089	8.8%
Very Large (8" and up)	3.468	\$ 3.789	9.3%

Seasonal water rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>	<u>Percent increase</u>
5/8"	\$ 305.87	\$ 313.52	2.5%
3/4"	356.90	365.82	2.5%
1"	471.70	483.49	2.5%
1 1/2"	714.03	731.88	2.5%
2"	1,084.01	1,111.11	2.5%
3"	3,170.52	3,249.78	2.5%
4"	4,758.73	4,877.70	2.5%

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>	<u>Percent increase</u>
All Consumption	\$ 7.002	\$ 7.356	5.1%

Public and private fire service rates

<u>Service charges</u>	Annual		<u>Percent increase</u>
	<u>Existing rates</u>	<u>Proposed rates</u>	
Public:			
Inch - feet	\$ 0.08306	\$ 0.08832	6.3%
Hydrants	171.00	181.80	6.3%
Private:			
1" connection	\$ 190.00	\$ 201.96	6.3%
2" connection	190.00	201.96	6.3%
3" connection	190.00	201.96	6.3%
4" connection	306.88	326.40	6.4%
6" connection	707.62	773.16	9.3%
8" connection	1,899.68	2,020.08	6.3%
10" connection	4,048.14	4,304.64	6.3%
12" connection	7,279.94	7,741.08	6.3%
14" connection	17,637.54	18,754.80	6.3%
16" connection	25,058.58	26,645.88	6.3%

SERVICE AREA
MISCELLANEOUS WATER AND NON-WATER RATES

<u>Miscellaneous water rates</u>	<u>Existing rates</u>	<u>Proposed rates *</u>	<u>Percent increase</u>
Hydrant permits:			
Meter service charge	\$ 276	\$ 276	0.0%
Minimum service charge	171	194	13.5%
Seasonal minimum charge (existing rate includes 80,000 gallons)	811	850	4.8%
Tank truck water annual charge (plus: water rate at 4.780 per ccf applicable)	59	80	35.6%
Wholesale	2,621 per million gallons	2,937 per million gallons	12.1%
Raw Water	0.6348 per ccf.	0.6748 per ccf.	6.3%
<u>Miscellaneous non-water rates</u>			
Termination & reconnection charge (turn-off and turn-on)	151	168	11.3%
Termination & reconnection charge (after hours call-in)	215	222	3.3%
Collection visit fee (non-shut)	41	42	2.4%
Other collection activity	(A)	(A)	
Tampering of hydrant			
First offense	500	500	0.0%
Subsequent offense	1,000	1,000	0.0%
Inaccessible Vault/Pit			
First offense	500	500	0.0%
Subsequent offense	1,000	1,000	0.0%
Unmetered active service fee			
First offense	500	500	0.0%
Subsequent offense	NA	1,000	NA
Obstructed curb valve			
First offense	58	58	0.0%
Subsequent offense	(A)	(A)	
Repair /cleaning curb box (due to customer negligence)	157	164	4.5%
Deficient check charge	29	30	3.4%
Lien processing charge	27	27	0.0%
Filing or Release (each)	NA	60	NA
Special customer request charge	(A)	(A)	
Waste inspection charge	87	87	0.0%
Meter resetting charge	153	166	8.5%

(A) The charge will be the cost of material, labor and equipment used, plus the cost of overhead at prevailing rates. In circumstances where this procedure could significantly delay final billing, the Authority will use an appropriate substitute for its costs.

* Proposed rates are rounded to the nearest dollar.

**ENTIRE SERVICE AREA
MISCELLANEOUS WATER AND NON-WATER RATES**

<u>Miscellaneous non-water rates</u>	<u>Existing rates</u>	<u>Proposed rates *</u>	<u>Percent increase</u>
Service call	-	-	-
During working hours	\$ 102	\$ 102	0.0%
After hours call-in	289	\$ 289	0.0%
Manual meter reading charge	47	49	4.3%
Missed appointment charge	55	55	0.0%
Operate curb valve charge	200	200	0.0%
Repair or replacement of company meter reading device	205	205	0.0%
Mandatory water restriction violation fee per occurrence, up to one per day			
During a RWA Drought Stage Watch	25	25	0.0%
During a RWA Drought Stage Warning	50	50	0.0%
During a RWA Drought Stage Emergency	100	100	0.0%
Excavation for termination of service			
(1) at curb valve	457	457	0.0%
(2) in street at tap valve	(A)	(A)	
Backflow per device testing charges:			
1 to 5 devices	55	57	3.6%
6 to 9 devices	50	50	0.0%
10 to 50 devices	45	45	0.0%
50+ devices	40	40	0.0%
Unscheduled test	110	115	4.5%
Confined space, pit/vault	110	115	4.5%
Pit/vault requiring pumping	(A)	(A)	
Repair or replacement of company meters (due to customer negligence)			
5/8" & 3/4"	220	220	0.0%
1"	275	275	0.0%
1 1/2"	450	455	1.1%
2"	555	555	0.0%
Over 2"	(A)	(A)	
Private hydrant inspections - annual test	(A)	(A)	

July 19, 2021: Issuance test rate application

Private hydrant inspections - seasonal (two) tests	(A)	(A)
Per foot costs to install a hydrant on new main	(B)	(B)

(A) The actual cost of the material, labor including outside services and/or equipment used, plus overhead at the actual prevailing rates will be used. In those circumstances where this procedure could cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost.

(B) The actual cost of the material, labor including outside services and/or equipment used, plus overhead, in accordance with the rules and regulations.

Rates for local facilities and service connections

	Existing <u>rates</u>	Proposed <u>rates</u> *	Percent <u>increase</u>
Local facilities charges			
<u>Meter Size</u>			
5/8" & 3/4"	\$ 550	\$ 550	0.0%
1"	830	830	0.0%
1 1/2"	970	970	0.0%
2"	1,525	1,525	0.0%
3"	6,105	6,105	0.0%
4"	7,625	7,625	0.0%
6"	11,510	11,510	0.0%
8"	15,935	15,935	0.0%
Corporation stop or branch connection			
1"	\$ 315	\$ 315 (1)	0.0%
1 1/2"	330	330 (1)	0.0%
2"	665	665 (1)	0.0%
Over 2"	(A)	(A)	
Meter installation			
5/8" & 3/4"	\$ 220	\$ 220	0.0%
1"	275	275	0.0%
1 1/2"	450	455	1.1%
2"	555	555	0.0%
Over 2"	(A)	(A)	

(1) Plus the cost of the saddle.

(A) The charge will be the cost of the material, labor and equipment used, plus the cost of overhead at prevailing rates. In circumstances where this procedure could significantly delay the final billing, the Authority will use an appropriate substitute for its cost.

* Proposed rates are rounded to the nearest five dollars.

Description of miscellaneous charges

Hydrant permit charges

The Authority will assess these charges as follows:

1. When a hydrant permit is issued and a meter is installed on the hydrant, the Authority will assess a service charge of \$276 plus the cost of water at the water rate of a 5/8 inch meter.
2. When a hydrant permit is issued and a meter is not installed on the hydrant, the Authority will assess a minimum charge of \$194 that allows the permittee to draw not more than 12,000 gallons of water. The Authority will assess estimated usage over 12,000 gallons at its seasonal water rate.
3. The Authority will assess seasonal hydrant permits issued between April 1st and November 1st to lawn and tree care businesses and for municipal street cleaning a seasonal minimum charge of \$850 that allows the permittee to use not more than an estimated 80,000 gallons of water. The Authority will assess estimated usage over 80,000 gallons at its seasonal water rate.

The Authority will determine if a meter is to be installed on the hydrant under all circumstances. It will be the permittee's responsibility to safeguard and protect the meter while on the hydrant. The Authority will bill the permittee for damage or loss of meter at its actual cost.

Tank truck annual charge (water rate charges additional)

This charge is assessed to pool water carriers annually. The annual charge is for administration, customer accounting and billing costs. In addition to the annual charge, the 5/8 inch meter volumetric water rate will be charged.

Termination and reconnection charge

This charge is applied to a customer's account when service is restored subsequent to termination for non-payment or failure to comply with the Authority's rules and regulations.

Termination and reconnections charge after-hours

This charge is a premium rate including overtime cost for "same day" reconnection for customers who pay or provide access between the hours of 3:30 p.m. and 9:30 p.m.

Collection visit fee (non-shut)

This charge is applied if a service or meter reading technician visits a customer premises for collection purposes and is unable to shut off the water for delinquency and/or leaves a red tag in lieu of shut-off.

Other collection activity

In accordance with the Authority's Rules and Regulations, under Section H-9, the customer will be responsible for all costs incurred by the Authority in connection with any collection activities on a delinquent account. Charges may be assessed to an account in the event a customer does not rectify a previously communicated condition that requires repairs, and the Authority performs work to rectify the condition. Examples include but are not limited to below-grade, buried or shifted curb boxes that require repair. In addition, this charge will be allocated to shut-off water service in the street at the tap for non-payment in the event the customer obstructs Authority equipment and at least five (5) obstructed curb box fees have been allocated to the account.

Tampering of hydrant

In accordance with the State of Connecticut Public Act No. 13-262, any person who opens, operates, or takes water from or tampers with any hydrant or takes water from or tampers with any public water supply reservoir without the legal authority or consent of the water utility will be fined.

Inaccessible vault/pit

An “inaccessible vault/pit” is a subsurface enclosure that protects water meters and other facilities installed outside of buildings that is in disrepair, blocked, flooded, or is in an unsafe condition and is therefore not accessible by Authority personnel.

Obstructed curb valve

This fee will be charged to customers who have prevented access to our curb valve by parking over the curb box or otherwise obstructing it. The customer will be notified of the obstruction and given seven (7) days to rectify the situation. The customer will be charged each time the company attempts access thereafter not to exceed one charge per day until the customer provides access to our curb valve.

Unmetered Active Service Fee

Any person determined by the Authority to have unmetered active service shall pay, in addition to the value of the estimated quantity of service taken, a fee of \$500 for the first offense and \$1,000 for subsequent offenses "Unmetered active service fee" means obtaining service without payment by any means including without limitation bypassing, disconnecting or otherwise tampering with a meter, connecting to a fire service or other unmetered line or turning on a meter previously shut off by the Authority.

Repair or replacement of company meters

A fee will be charged in accordance with the Authority’s published rates to replace or repair a company meter that, due to the negligence of the customer that is damaged.

Repair or replacement of company meter reading device

A fee will be charged in accordance with the Authority’s published rates to replace or repair a company meter reading device due to the negligence of the customer is damaged.

Repair/cleaning curb box

A fee will be charged in the event the Authority needs to repair or clean out a curb box in order to access the company’s curb valve.

Deficient check charge

This charge is assessed when a check is returned from the bank because the payer’s funds are deficient or because the account is closed. The charge is based on internal processing plus a bank charge.

Lien processing charge

This charge is applied on accounts when formal liens are filed on the land records. The purpose of the charge is to defray the cost of searching land records prior to filing formal liens.

Lien filing or release fee

This fee is for the filing and release fees charged by towns and cities.

Waste inspection charge

This charge is assessed to all customers requesting a waste inspection. The purpose of this charge is to allocate the cost of waste inspections to users of this service.

Meter resetting charge

This charge is applied to the first bill after meter removal from an existing premise. The charge does not apply to meter changes initiated by the Authority, to seasonal customers, or to new service customers. The purpose of the charge is to recover the cost of turning on the service and resetting a meter on an existing service.

Operate curb valve charge

This charge is applied to the water bill after a customer requests disconnection of the service at the curb valve to repair internal plumbing fixtures, etc. The charge does not apply to curb valve operation initiated by the Authority, to seasonal on/offers, normal meter removals or new service customers. The purpose of the charge is to defray the cost of operating a curb valve at the request of a customer.

Excavation for termination of service

These charges are applied to the water bill after terminations of service for non-payment or failure to comply with the Authority's rules and regulations whenever it is necessary to: (1) hand excavates to operate the curb valve; or, (2) excavate in the street to operate the tap valve.

Backflow device test charges

The backflow testing charges are for testing the proper operation of backflow prevention devices installed on a customer's premises. Annual testing of these devices is required by the Connecticut State Public Health Code. The Authority also offers testing of these devices at the request of the customer. The charges are applied to the water bill whenever a customer requests the test.

Service call

During working hours – This charge is applied to a customer's account when Authority personnel respond to a service call and the problem is internal to the premise (frozen meter, frozen pipe, shut valve, knocking pipes, etc.).

After working hours – This charge is applied to a customer's account when Authority personnel respond to a service call after 9:30 PM.

Manual meter reading charge

A fee will be charged to a customer on a per-read basis if the customer refuses to allow the Authority to install advanced metering infrastructure (AMI) automatic reading system equipment, and therefore the Company must obtain meter readings manually each billing period.

Mandatory water restriction charge

When the Authority imposes mandatory water restrictions for discretionary outside water usage, which may include but not limited to irrigation, car washing, and power washing, customers who do not comply will be charged (per occurrence up to one occurrence per day):

- During a RWA Drought Stage Watch: \$25
- During a RWA Drought Stage Warning: \$50
- During a RWA Drought Stage Emergency: \$100

Missed appointment charge

This fee will be allocated to a customer's account if a customer schedules an appointment with the Authority to perform any related work requiring access to the customer's premises, and the customer does not notify the Company at least 24 hours in advance that they are unable to keep the scheduled appointment.

Special Customer request charge

This fee is for customer special requests to produce redundant information including but not limited to duplicate bills, the cost of labor plus overhead for each 15 minute interval over 30 minutes will be charged.

Private hydrant inspection – annual

This fee is for one annual inspection of a privately owned hydrant.

Private hydrant inspection seasonal (twice)

This fee is for seasonal, twice annual, inspection of a privately owned hydrant.

Other miscellaneous charges and charges for pipe installation

Miscellaneous Charges

Charges for all services or materials are based on the direct cost of the material, labor and equipment used, plus the cost of overhead at prevailing rates. In those circumstances where the procedure would result in a significant delay in final billing, the Authority will use an appropriate substitute for actual cost. Whenever possible, the Authority assesses these charges on the water bill account, rather than rendering a separate invoice.

Charges for pipe installation (subject to proportionate sharing)

Charges for pipe installation under the rules and regulations for the extension of main will be the cost of the pipe, labor and equipment used, plus overhead at prevailing rates. In those circumstances where this procedure would cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost. If pavement excavation and replacement or repairs are required for the extension, these additional charges will be added to the final invoice. The cost of pipe will normally be based on 8-inch main but, if it is necessary to install pipe larger or smaller than 8-inch to satisfy the requirements of the applicant, the cost shall be based on the pipe size actually required.

Per foot charge to install a hydrant on new main

A per foot costs to install a hydrant on new main will be charged at actual cost of the material, labor including outside services and/or equipment used, plus overheads, in accordance with the rules and regulations.

Service Connection Charges

Prior to the approval of an application, a service connection charge shall be paid by each applicant for each new service connection and meter installation as follows:

Corporation Stop or Branch Connection

Corporation stop or branch connection Size	Existing Service Charges		Proposed Service Charges	
1"	\$ 315	(1)	\$ 315	(1)
1 1/2"	330	(1)	330	(1)
2"	665	(1)	665	(1)
Over 2"	(A)		(A)	

(1) Plus cost of saddle.

(A) The charge will be the cost of material, labor and equipment used, plus the cost of overhead at prevailing rates. In circumstances where this procedure would cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost.

Meter Installation

<u>Meter Size</u>	<u>Existing Service Charges</u>	<u>Proposed Service Charges</u>
5/8" & 3/4"	\$220	\$220
1"	275	275
1 1/2"	450	455
2"	555	555
Over 2"	(A)	(A)

(A) The charge will be the Authority's cost of material, labor and equipment used, plus the cost of overhead at prevailing rates. In circumstances where this procedure would significantly delay the final billing, the Authority will use an appropriate substitute for its cost. The purpose of these charges is to defray the cost of installing the corporation stop or branch connection for a service connection; also for installing the meter and inspecting installation of the service connection.

Local facilities charges

A local facilities charge for each connection to a water main shall be paid by the prospective customer applying for water service from the main. The customer pays this charge prior to receiving approval from the Authority for a service connection.

<u>Meter Size</u>	<u>Existing Charges</u>	<u>Proposed Charges</u>
5/8" & 3/4"	\$ 550	\$ 550
1"	830	830
1 1/2"	970	970
2"	1,525	1,525
3"	6,105	6,105
4"	7,625	7,625
6"	11,510	11,510
8"	15,935	15,935

The purpose of these charges is to collect a fair contribution from the applicant-for-service toward the cost of the utility system, heretofore paid by existing customers.

Economic development rate**

The Authority offers an “economic development rate” as an incentive to encourage new* commercial or industrial customers in its service area, for significantly expanding operations, or distressed businesses contemplating closing by assessing the customer at 80 percent of applicable water rates for the first five (5) years of occupancy. Rates will be subject to periodic effects of a general rate increase and/or surcharges. If the customer’s period of occupancy is less than five (5) years, the Authority will pro-rate the full rate back to the first date of occupancy. After the initial five (5) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate they must consume at least 500,000 gallons of water per year.

* A new customer is defined as relocating to the Authority’s service area from out-of-state or from another service area within Connecticut

**With exceptions reviewed on a case by case basis.

Wholesale rate

Each time that the Authority files an application for a general increase in revenue, it updates its calculations for wholesale customers, according to the terms of their respective contracts with it. In this current rate application, the Authority has updated costs allocable to the wholesale rate based on the prescribed methodology in existing agreements, resulting in an increase to wholesale customers of 12.1%. The July 2021 cost of service study includes an updated methodology for future use.

Miscellaneous charges (page 1 of 2)

<u>Type of service</u>	<u>Existing revenues</u>	<u>Existing rates</u>	<u>Proposed rates *</u>	<u>Revenues at proposed rates</u>
<u>Water sales</u>				
Hydrant permits				
Meter service charge		276	276	
Minimum charge		171	194	
Seasonal minimum charge		811	850	
Tank truck water annual charge (plus: water rate at 4.780 per ccf)		59	80	
Totals	157,446			164,341
Raw water sales - per ccf		0.6348	0.6748	
Total water sales	157,446			164,341
<u>Non-water sales</u>				
Waste inspections	1,044	87	87	1,044
Deficient check charge	26,941	29	30	27,870
Lien processing fee	6,968	27	27	6,968
Lien filing or release (ea)			60	12,000
Termination and reconnection charge		151	168	
Termination & reconn. charge after hours		215	222	
Collection visit fee (non-shut)		41	42	
Other collection activity		(A)	(A)	
Subtotal	232,927			240,853
Tampering of hydrant				
First offense	500	500	500	500
Subsequent offense		1,000	1,000	
Unable to access vault/pit	-			
First offense		500	500	
Subsequent offense		1,000	1,000	
Unmetered active service fee	10,500	500	500	10,500
First Offense			500	
Subsequent offense			1,000	
Repair/cleaning curb box (due to customer negligence)	3,768	157	157	3,768
Meter resetting charge	28,917	153	166	31,374

(continued on next page)

Miscellaneous charges (page 2 of 2)

<u>Type of service</u>	<u>Existing revenues</u>	<u>Existing rates</u>	<u>Proposed rates *</u>	<u>Revenues at proposed rates</u>
Operate curb valve	\$ 54,869	\$ 200	\$ 200	\$ 54,869
Obstructed curb valve				
First offense	696	58	58	696
Subsequent offense		(A)	(A)	(A)
Service call				
(1) During working hours	-	102	102	
(2) After hours (call-in)	-	289	289	
Subtotal	11,129			11,129
Manual meter reading fee	6,298	47	49	6,566
Missed appointment charge	10,550	55	55	10,550
Repair or replacement of company meter reading device (eg Flexnet	1,435	205	205	1,435
Mandatory water restriction violation fee per offense, up to one per day				
During RWA drought stage watch		25	25	
During RWA drought stage warning		50	50	
During RWA drought stage emergency		100	100	
Special customer request	4,574	(A)	(A)	4,574
Excavation for termination of service				
(1) at curb valve		457	457	
(2) in street at tap valve		(A)	(A)	
Backflow device testing charges:	430,620			440,204
1 to 5 devices		55	57	
6 to 9 devices		50	50	
10 to 50 devices		45	45	
50+ devices		40	40	
Unscheduled test		110	115	
Confined space, pit/vault		110	115	
Pit/vault requiring pumping		(A)	(A)	
Repair or replacement of company meters (due to customer	-			-
5/8" & 3/4"		220	220	
1"		275	275	
1 1/2"		450	455	
2"		555	555	
Over 2"		(A)	(A)	
Total non-water sales	<u>\$ 831,736</u>			<u>\$ 864,900</u>
Total water and non-water sales	<u>989,182</u>			<u>1,029,240</u>

(A) The charge will be the Authority's cost of material, labor and equipment used, plus the cost of overhead at prevailing rates. In circumstances where this procedure could significantly delay the final billing, the Authority will use an appropriate substitute for its cost.

* Proposed rates are rounded to the nearest dollar.

	<u>Existing</u> <u>revenues</u>	<u>Existing</u> <u>rates</u>	<u>Proposed</u> <u>rates</u> *	<u>Revenues</u> <u>at proposed</u> <u>rates</u>
<u>Local facilities charges</u>				
<u>Meter Size</u>				
5/8" & 3/4"		550	\$ 550	
1"		830	830	
1-1/2"		970	970	
2"		1,525	1,525	
3"		6,105	6,105	
4"		7,625	7,625	
6"		11,510	11,510	
8"		15,935	15,935	
Total local facilities revenues	\$ 163,015			\$ 163,015
<u>Corporation stop or branch connection</u>				
1"		315 (1)	315 (1)	
1 1/2"		330 (1)	330 (1)	
2"		665 (1)	665 (1)	
Over 2"		(A)	(A)	
<u>Meter installation</u>				
5/8" & 3/4"		220	220	
1"		275	275	
1 1/2"		450	455	
2"		555	555	
Over 2"		(A)	(A)	
Total meter installation revenues	65,498			65,498
Total local facilities, corporation stop/branch connection and meter installation revenues	<u>\$ 228,513</u>			<u>\$ 228,513</u>

(1) Plus cost of saddle.

(A) The actual cost of the material, labor and equipment used, plus overhead at the actual prevailing rates will be used. In those circumstances where this procedure could cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost.

Other revenue

(\$000 Omitted)

<u>Type of Service</u>	<u>As budgeted for FY 2022</u>	<u>Revenues per issuance test</u>
Total other revenue	\$5,955	\$5,346

Total "other revenue" includes the following items:

Rental income
Recreation permits
Laboratory services
Forestry
PipeSafe
PipeSafe Plus
Private fleet repairs

Section six: Action requested

The RPB's Rules of Practice require the following: "...a proposed notice of public hearing and filing of rates and other charges for water-related services to be published by the Board prior to the public hearing on such matter in accordance with sections 10 and 14 of the Act..."

1. Notice of public hearing (proposed) – **See Updated Notice for Date Change and Access**

**REPRESENTATIVE POLICY BOARD
OF THE
SOUTH CENTRAL CONNECTICUT REGIONAL WATER DISTRICT**

**NOTICE OF PUBLIC HEARING
AND
FILING OF RATES AND OTHER CHARGES FOR WATER AND RELATED SERVICES**

The Representative Policy Board ("RPB") of the South Central Connecticut Regional Water District ("the District") will hold a public hearing at 7:00 p.m. on Thursday, September 16, 2021, at the offices of the South Central Connecticut Regional Water Authority ("the Authority"), 90 Sargent Drive, New Haven, Connecticut, to consider the application of the Authority to establish rates, other charges, and rate schedules for water and related services ("the 2021 Rate Application").

The public hearing is to be held pursuant to provisions of Sections 10 and 14 of the District's enabling legislation, which is Connecticut Special Act 77-98, as amended.

The Authority's proposed rates are to be effective as of the delivery of all or a portion of the Authority's Water System Revenue Bonds, proposed to be issued on or about January 2022 (the "proposed bonds"). The Authority anticipates that total revenues to be raised by the proposed increase in rates will be approximately \$7.911 million, or 6.5 %, more than revenue from existing rates and charges during the historical period of twelve months referenced in Section 619A(1) of the South Central Connecticut Regional Water Authority's *Water System Revenue Bond Resolution General Bond Resolution*.

The proposed 3.75% yield on the proposed bonds is based on an assumed interest rate. The Authority's proposal contemplates that the actual rate increase will be adjusted, depending on the effective interest rate paid by the Authority on the proposed bonds as follows:

Interest Rate	Revenue Increase
1.75% and lower	5.9%
above 1.75% and up to 2.25%	6.0%
above 2.25% and up to 2.75%	6.2%
above 2.75% and up to 3.25%	6.3%
above 3.25% and up to 3.75%	6.5%
above 3.75% and up to 4.25%	6.8%
above 4.25% and up to 4.75%	7.0%
above 4.75% and up to 5.25%	7.2%
above 5.25% and up to 5.75%	7.5%

A typical example of quarterly and monthly bills at existing and proposed rates is provided by the following table. The average residential customer of the Authority’s district will experience an increase of approximately \$10.85 per quarter, \$3.62 per month, or 6.3%.

<u>Meter Size</u>	Quarterly Consumption in cubic feet (1)	<u>Existing Rates</u>	<u>Proposed Rates</u>
5/8"	500	83.17	86.54
5/8"	2,500 *	171.29	182.14
5/8"	8,000	413.62	445.04
1"	30,000	1,299.99	1,409.76
2"	54,000	2,387.04	2,585.79
2"	100,000	4,235.78	4,599.21
6"	1,000,000	39,360.65	42,715.17
8"	1,500,000	54,922.98	59,810.58

<u>Meter Size</u>	Monthly Consumption in cubic feet (1)	<u>Existing Rates</u>	<u>Proposed Rates</u>
5/8"	167	27.72	28.85
5/8"	833 *	57.10	60.71
5/8"	2,667	137.87	148.35
1"	10,000	433.33	469.92
2"	18,000	795.68	861.93
2"	33,333	1,411.93	1,533.07
6"	333,333	13,120.22	14,238.39
8"	500,000	18,307.66	19,936.86

*Average residential customer

(1) one cubic foot equals 7.4805 gallons

All of the users of the water supply system of the Authority, as well as owners of the property served or to be served, residents and taxpayers in the member towns of the District, and other interested persons shall have an opportunity to be heard concerning the matters under consideration.

Members of the Authority and its consultants and a representative of the Office of Consumer Affairs of the RPB will be available at the public hearing to discuss details of the proposed rates, other charges, and rate schedules for water and related services. Copies of the 2021 rate application are available for public inspection at the District's offices, 90 Sargent Drive, New Haven, Connecticut 06511.

Notice posted by:

Mario Ricoszi, Chairperson
Representative Policy Board of the
South Central Connecticut Regional Water District

Notice is hereby given that the Authority has filed with the Representative Policy Board for its approval, the following rates and other charges for water and related services within the District to become effective on the delivery date of all or a portion of the proposed bonds, based on a revenue increase of 6.5%.

Quarterly water rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>
5/8"	\$ 61.14	\$ 62.64
3/4"	71.37	73.17
1"	94.29	96.66
1 1/2"	142.80	146.37
2"	216.78	222.21
3"	633.99	649.86
4"	951.60	975.39
6"	1,780.65	1,825.17
8"	2,902.95	2,975.58
10"	4,127.40	4,230.60
12"	5,352.33	5,486.16
Privately Owned	20.34	20.84

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>
Small (5/8 - 3/4" meters)	\$ 4.406	\$ 4.780
Medium (1 - 2" meters)	4.019	\$ 4.377
Large (3 - 6" meters)	3.758	\$ 4.089
Very Large (8" and up)	3.468	\$ 3.789

Seasonal water rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>
5/8"	\$ 305.87	\$ 313.52
3/4"	356.90	365.82
1"	471.70	483.49
1 1/2"	714.03	731.88
2"	1,084.01	1,111.11
3"	3,170.52	3,249.78
4"	4,758.73	4,877.70

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>
All Consumption	\$ 7.002	\$ 7.356

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>
5/8"	\$ 20.38	\$ 20.88
3/4"	23.79	24.39
1"	31.43	32.22
1 1/2"	47.60	48.79
2"	72.26	74.07
3"	211.33	216.62
4"	317.20	325.13
6"	593.55	608.39
8"	967.66	991.85
10"	1,375.80	1,410.20
12"	1,784.11	1,828.72
Privately owned	20.34	20.84

Consumption Charges

<u>Cubic Feet</u>	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>
Small (5/8 - 3/4" meters)	\$ 4.406	\$ 4.780
Medium (1 - 2" meters)	4.019	\$ 4.377
Large (3 - 6" meters)	3.758	\$ 4.089
Very Large (8" and up)	3.468	\$ 3.789

Public and private fire service rates

<u>Service charges</u>	Annual	
	<u>Existing rates</u>	<u>Proposed rates</u>
Public:		
Inch - feet	\$ 0.08306	\$ 0.08832
Hydrants	171.00	181.80
Private:		
1" connection	\$ 190.00	\$ 201.96
2" connection	190.00	201.96
3" connection	190.00	201.96
4" connection	306.88	326.40
6" connection	707.62	773.16
8" connection	1,899.68	2,020.08
10" connection	4,048.14	4,304.64
12" connection	7,279.94	7,741.08
14" connection	17,637.54	18,754.80
16" connection	25,058.58	26,645.88

**ENTIRE SERVICE AREA
MISCELLANEOUS WATER AND NON-WATER RATES**

<u>Miscellaneous non-water rates</u>	<u>Existing rates</u>	<u>Proposed rates *</u>
Service call	-	-
During working hours	\$ 102	\$ 102
After hours call-in	289	\$ 289
Manual meter reading charge	47	49
Missed appointment charge	55	55
Operate curb valve charge	200	200
Repair or replacement of company meter reading device	205	205
Mandatory water restriction violation fee per occurrence, up to one per day		
During a RWA Drought Stage Watch	25	25
During a RWA Drought Stage Warning	50	50
During a RWA Drought Stage Emergency	100	100
Excavation for termination of service		
(1) at curb valve	457	457
(2) in street at tap valve	(A)	(A)
Backflow per device testing charges:		
1 to 5 devices	55	57
6 to 9 devices	50	50
10 to 50 devices	45	45
50+ devices	40	40
Unscheduled test	110	115
Confined space, pit/vault	110	115
Pit/vault requiring pumping	(A)	(A)
Repair or replacement of company meters (due to customer negligence)		
5/8" & 3/4"	220	220
1"	275	275
1 1/2"	450	455
2"	555	555
Over 2"	(A)	(A)
Private hydrant inspections - annual test	(A)	(A)

Private hydrant inspections - seasonal (two) tests (A) (A)

Per foot costs to install a hydrant on new main (B) (B)

(A) The actual cost of the material, labor including outside services and/or equipment used, plus overhead at the actual prevailing rates will be used. In those circumstances where this procedure could cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost.

(B) The actual cost of the material, labor including outside services and/or equipment used, plus overhead, in accordance with the rules and regulations.

(A) The charge will be the Authority's cost of material, labor and/or equipment used, plus its cost of overhead at prevailing rates. In circumstances where this procedure for charging a customer would significantly delay the final billing, the Authority will use an appropriate substitute for its cost.

(B) The actual cost of the material, labor including outside services and/or equipment used, plus overhead, in accordance with the rules and regulations.

* Proposed rates are rounded to the nearest dollar.

OTHER MISCELLANEOUS CHARGES AND CHARGES FOR PIPE INSTALLATION

Miscellaneous Charges

Charges for all services or materials are based on the actual, direct cost of the material, labor and equipment used, plus the cost of overhead at prevailing rates. In those circumstances where the procedure will cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost. These charges are assessed on the water bill account whenever possible otherwise a separate invoice is rendered.

Charges for Pipe Installation (subject to proportionate sharing)

Charges for pipe installation under Extension of Main Rules and Regulations will be the actual cost of the pipe, labor and equipment used, plus overheads at prevailing rates. In those circumstances where this procedure will cause a significant delay in the final billing, the Authority will use an appropriate substitute for actual cost. If pavement excavation and replacement or repairs are required for the extension, these additional charges will be added to the final invoice. The cost of pipe will normally be based on 8-inch main but, if for any reason it is necessary to install pipe larger or smaller than 8-inch to satisfy the requirements of the applicant, cost shall be based on the pipe size actually required.

SERVICE CONNECTION CHARGES

Service Connection Charges

Prior to the approval of an application, a service connection charge shall be paid by each applicant for each new service connection and meter installation as follows:

Corporation Stop or Branch Connection

<u>Size</u>	<u>Existing Services Charges</u>	<u>Proposed Service Charges</u>
1"	\$315 (1)	\$315 (1)
1 1/2"	330 (1)	330 (1)
2"	665 (1)	665 (1)
Over 2"	(A)	(A)

(1) Plus cost of saddle.

(A) The charge will be the Authority's cost of material, labor and/or equipment used, plus its cost of overhead at prevailing rates. In circumstances where this procedure for charging a customer would significantly delay the final billing, the Authority will use an appropriate substitute for its cost.

* Proposed rates are rounded to the nearest five dollars.

Meter Installation

The purpose of these charges is to defray the cost of installing the corporation stop or branch connection for a service connection, installing the meter and inspecting the installation of the service connection.

Meter Installation

<u>Meter Size</u>	<u>Existing Charges</u>	<u>Proposed Charges</u>
5/8" & 3/4"	\$ 220	\$ 220
1"	275	275
1 1/2"	450	455
2"	555	555
Over 2"	(A)	(A)

LOCAL FACILITIES CHARGES

The purpose of the local facilities charges is to collect a fair contribution from the applicant toward the cost of the utility system, heretofore paid by existing customers.

A local facilities charge for each separate connection to a water main shall be paid by each applicant who desires to secure water service from the main. The applicant will pay the charge prior to the Authority's granting approval for a service connection.

<u>Meter Size</u>	<u>Existing Charges</u>	<u>Proposed Charges</u>
5/8" & 3/4"	\$ 550	\$ 550
1"	830	830
1 1/2"	970	970
2"	1,525	1,525
3"	6,105	6,105
4"	7,625	7,625
6"	11,510	11,510
8"	15,935	15,935

(A) The charge will be the Authority’s cost of material, labor and/or equipment used, plus its cost of overhead at prevailing rates. In circumstances where this procedure for charging a customer would significantly delay the final billing, the Authority will use an appropriate substitute for its cost.

* Proposed rates are rounded to the nearest five dollars.

Economic development rate**

The Authority offers an “economic development rate” as an incentive to encourage new* commercial or industrial customers in its service area, for significantly expanding operations, or distressed businesses contemplating closing by assessing the customer at 80 percent of applicable water rates for the first five (5) years of occupancy. Rates will be subject to periodic effects of a general rate increase and/or surcharges. If the customer’s period of occupancy is less than five (5) years, the Authority will pro-rate the full rate back to the first date of occupancy. After the initial five (5) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate they must consume at least 500,000 gallons of water per year.

* A new customer is defined as relocating to the Authority’s service area from out-of-state or from another service area within Connecticut

**With exceptions reviewed on a case by case basis.

The RPB's Rules of Practice require the following: "...a proposed set of resolutions: (1) approving the proposed rates and charges; and (2) authorizing the issuance of new debt..."

2. Resolutions

2a. Resolution of the Authority

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
RESOLUTION
APPROVING THE PROPOSED ISSUANCE OF WATER SYSTEM REVENUE BONDS**

WHEREAS, the South Central Connecticut Regional Water Authority (the "Authority") has previously and separately authorized financing for numerous projects expected to be financed through the State of Connecticut Drinking Water Fund; and

WHEREAS, the Authority wants to authorize bonds to finance additional water system capital projects.

NOW THEREFORE BE IT RESOLVED: That the Authority hereby establishes the general terms and provisions of the Authority's Water System Revenue Bonds which may be issued as Project Loan Obligations delivered to the State of Connecticut (the "Bonds") which are to be issued under its Water System Revenue Bond Resolution, General Bond Resolution adopted by the Authority and approved by the Representative Policy Board on July 31, 1980, as amended (the "General Bond Resolution").

1. The Bonds shall not exceed Fifty-One Million Dollars (\$51,000,000) in aggregate principal amount.
2. The Bonds may be issued as obligations in one or more series pursuant to the General Bond Resolution and a Supplemental Resolution to be adopted by the Authority for each series of Bonds, each of which shall specify the amount of the Bonds, the purposes for which the Bonds are to be issued, the date or dates, maturities, sinking fund installments if any, interest rates, series, denominations, form, redemption prices, and such other details of the Bonds as the Authority shall determine in accordance with the limits established by the General Bond Resolution and hereby.
3. The purposes of the Bonds shall be to finance or refinance the cost of certain capital improvements to the water system of the Authority from approximately January 5, 2022 through June 30, 2023. in accordance with a certain capital improvement plan adopted by the Authority on June 17, 2021 as may be amended from time to time, to provide funds for deposit to the Capital Contingency Fund, Debt Reserve Fund, and Operating Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Code and to pay costs of issuance (the "Project").
4. The Bonds may be sold by negotiation as serial or term bonds with stated maturities and may be sold in a private placement to the State of Connecticut or a purchaser approved by the Authority.
5. The form of this resolution entitled "Resolution Approving the Proposed Issuance of Water System Revenue Bonds," a copy of which shall be filed with the records of the Authority, shall be submitted to the Representative Policy Board for its approval in accordance with Section 22 of Special Act No. 77-98, as amended.

BE IT FURTHER RESOLVED: That the Authority hereby expresses its official intent pursuant to §1.150-2 of the Federal Income Tax Regulations, Title 26 (the "Regulations"), to reimburse expenditures paid sixty days prior to and any time after the date of passage of this

resolution in the maximum amount authorized hereby and for the Project defined herein with the proceeds of bonds, notes, or other obligations authorized to be issued by the Authority. Such bonds, notes or other obligations shall be issued to reimburse such expenditures not later than 18 months after the later of the date of the expenditure or the substantial completion of the Project, or such later date the Regulations may authorize. The Authority hereby certifies that the intention to reimburse as expressed herein is based upon its reasonable expectations as of this date.

2b. Proposed Resolution of the Representative Policy Board

**REPRESENTATIVE POLICY BOARD
OF THE
SOUTH CENTRAL CONNECTICUT REGIONAL WATER DISTRICT**

PROPOSED RESOLUTIONS

**RESOLUTION #1:
WATER RATES AND CHARGES**

**RESOLUTION #2:
THE ISSUANCE OF BONDS**

Resolution #1: Resolution Approving Water Rates And Charges

RESOLVED, that the Representative Policy Board of the South Central Connecticut Regional Water District (the “RPB”) hereby approves the water rates and related charges set forth in the 2021 issuance test rate application (the “2021 Rate Application”), filed by the South Central Connecticut Regional Water Authority (the “Authority”) with the RPB on July 19, 2021; and be it further

RESOLVED, that the water rates and related charges set forth in the 2021 Rate Application and attached hereto shall become effective upon the delivery of all or a portion of the Authority’s Water System Revenue Bonds, a portion of which may be issued as Project Loan Obligations delivered to the State of Connecticut (the “Bonds”). The Bonds are currently expected to be delivered on or about January 5, 2022. The water rates and related charges affected by this resolution will be adjusted at the time of the sale of the Bonds in accordance with the table on page 31 of the 2021 Rate Application to reflect the interest rate on the Bonds and resulting debt service; and be it further

RESOLVED, that the water and related charges established by the Authority, and approved herein, are hereby found to be just and equitable rates and charges which, together with other available funds, will provide the Authority with funds in amounts sufficient for the purposes set forth in Section 14 of the Authority’s enabling legislation, Special Act 77-98, as amended, but not in excess of such amounts.

Resolution #2: Resolution Approving The Issuance Of Bonds

WHEREAS, the South Central Connecticut Regional Water Authority (the “Authority”) proposes to issue its Bonds which may be issued as Project Loan Obligations delivered to the State of Connecticut (the “Bonds”) in accordance with Special Act 77-98, as amended, of the General Assembly of the State of Connecticut (the “Act”) and the Water System Revenue Bond Resolution, General Bond Resolution, adopted by the Authority and approved by the Representative Policy Board of the South Central Connecticut Regional Water District (the “RPB”) on July 31, 1980, as amended and supplemented (the “General Bond Resolution”); and

WHEREAS, the Act authorizes the Authority to issue its bonds from time to time but subject to the approval of the RPB.

NOW THEREFORE BE IT RESOLVED THAT:

1. The RPB hereby approves the issuance of the Authority’s Bonds in an aggregate principal amount not to exceed Fifty-One Million Dollars (\$51,000,000).
2. The Bonds may be issued as obligations in one or more series pursuant to the General Bond Resolution and a supplemental resolution to be adopted by the Authority for each series of Bonds, each of which shall specify the amount of the Bonds, the purposes for which the Bonds are to be issued, the date or dates, maturities, sinking fund installments if any, interest rates, series, denominations, form, redemption prices, security provisions and such other details of the Bonds as the Authority shall determine in accordance with the limits established by the General Bond Resolution and hereby.
3. The purposes of the Bonds shall be to finance or refinance the cost of certain capital improvements to the water system of the Authority from approximately January 5, 2022 through June 30, 2023 in accordance with a certain capital improvement plan adopted by the Authority on June 17, 2021, as may be amended from time to time, to provide funds for deposit to the Capital Contingency Fund, Debt Reserve Fund, and Operating Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and to pay costs of issuance.
4. The Bonds may be sold by negotiation as serial or term bonds with stated maturities and may be sold in a private or direct placement to a bank or the State of Connecticut.

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SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
ISSUANCE TEST RATE APPLICATION DATED JULY 19, 2021

FIRST SET OF INTERROGATORIES and REQUESTS FOR PRODUCTION
BY THE OFFICE OF CONSUMER AFFAIRS

August 9, 2021

The Office of Consumer Affairs (“OCA”) respectfully requests that the Authority respond in writing to the following Interrogatories and produce the documents requested herein:

1. Schedule 4A of the July 8, 2021 cost of service study by Raftelis Financial Consultants, Inc. (“Raftelis”) sets forth the costs allocable to hydrant and inch-foot charges for public and private fire service, respectively. The Application proposes the same percentage increase to public fire service rates (6.3%) as to quarterly water rates. Did the Authority (or Raftelis) calculate potential public fire service charges for each municipality using both the actual costs reflected by Schedule 4A and the proposed charges reflected in the Application? If so, please provide the OCA with the responsive information. Please explain the Authority’s rationale for utilizing 6.3% as the increase for public fire service rates.

2. On Page 20 of the Application, the Authority sets forth the 12-month period used in its projection of revenue for the issuance test and its rationale for the selection of same. The 12-month period selected is December 2020-November 2021. As of the date of the Application, the historical revenues were estimated for the seven twelve-month periods considered. The OCA requests that the Authority, prior to the September 2021 public hearing, update the schedule of historical revenues to include/reflect actual revenues through the periods ending June and July 2021.

3. On page 34 of the Application, the Authority discusses the primary factors affecting its decision not to allocate money from the Rate Stabilization Fund for purposes of the issuance test. The first factor discussed is “Financial Structure.” Reference is made to remarks by S&P and Moody’s, respectively, concerning the role of the RSF. Please provide the OCA with the October 18, 2019 S&P ratings report and the June 4, 2019 and October 15, 2019 ratings reports from Moody’s.

4. As part of Application, the Authority provided a July 8, 2021 letter from Raftelis setting forth a methodology for calculating updated wholesale rates. On page 46 of the Application, the Authority states that “The rate specified in agreements with wholesale customers... will increase by approximately 12.1%.” Please provide the OCA with copies of the pertinent provisions (*i.e.*, the provisions relied on for the 12.1% increase proposed in the Application) of the contracts between the Authority and the referenced wholesale customers.

The OCA expressly reserves the right to propound a second set of interrogatories after receiving responses to this first set.

RESPECTFULLY SUBMITTED
OFFICE OF CONSUMER AFFAIRS

By: /s/ Jeffrey M. Donofrio

Jeffrey M. Donofrio
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South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203.562.4020
<http://www.rwater.com>

August 19, 2021

Jeffrey M. Donofrio Esq.
Ciulla & Donofrio, LLP
127 Washington Avenue
P.O. Box 219
North Haven, CT 06473

Re: Issuance Test Rate Application (July 19, 2021) – Responses to OCA’s First Set of Interrogatories

Dear Mr. Donofrio:

Please see the Authority’s responses to the first set of interrogatories issued by you on behalf of the Office of Consumer Affairs on August 9, 2021. If you have further questions, please do not hesitate to contact us.

Regards,



Rochelle Kowalski
Vice President of Financial Reporting & Analysis

cc: David J. Borowy
Kevin J. Curseaden
Anthony DiSalvo
Catherine E. LaMarr
Suzanne C. Sack
Mario Ricozzi
Larry L. Bingaman
Jennifer Slubowski

Interrogatories

1. *Schedule 4A of the July 8, 2021 cost of service study by Raftelis Financial Consultants, Inc. (“Raftelis”) sets forth the costs allocable to hydrant and inch-foot charges for public and private fire service, respectively. The Application proposes the same percentage increase to public fire service rates (6.3%) as to quarterly water rates. Did the Authority (or Raftelis) calculate potential public fire service charges for each municipality using both the actual costs reflected by Schedule 4A and the proposed charges reflected in the Application? If so, please provide the OCA with the responsive information. Please explain the Authority’s rationale for utilizing 6.3% as the increase for public fire service rates.*

Raftelis did calculate the costs allocable to public and private fire service. Based on the cost of service the hydrant charge would need to increase by approximately 126.7% and the inch foot charge by approximately 8.2%. The Authority (or Raftelis) did not calculate the actual costs by municipality as we did not believe that raising the rates to cover the full cost of service was a viable option. Since raising the rates to the full cost of service was not considered viable, we needed to select an alternative. We felt that using the same increase as the average residential customer would be the most defensible alternative.

2. *On Page 20 of the Application, the Authority sets forth the 12-month period used in its projection of revenue for the issuance test and its rationale for the selection of same. The 12-month period selected is December 2020-November 2021. As of the date of the Application, the historical revenues were estimated for the seven twelve-month periods considered. The OCA requests that the Authority, prior to the September 2021 public hearing, update the schedule of historical revenues to include/reflect actual revenues through the periods ending June and July 2021.*

Please see Attachment I for the response.

3. *On page 34 of the Application, the Authority discusses the primary factors affecting its decision not to allocate money from the Rate Stabilization Fund for purposes of the issuance test. The first factor discussed is “Financial Structure.” Reference is made to remarks by S&P and Moody’s, respectively, concerning the role of the RSF. Please provide the OCA with the October 18, 2019 S&P ratings report and the June 4, 2019 and October 15, 2019 ratings reports from Moody’s.*

Please see Attachment II-A and II-B for the two referenced S&P reports, in particular the “Financial Risk” section on page 3 in the June report and page 4 in the October report. Please see Attachment III for the Moody’s report, in particular the “Liquidity” section on page 3.

4. *As part of Application, the Authority provided a July 8, 2021 letter from Raftelis setting forth a methodology for calculating updated wholesale rates. On page 46 of the Application, the Authority states that "The rate specified in agreements with wholesale customers... will increase by approximately 12.1%." Please provide the OCA with copies of the pertinent provisions (i.e., the provisions relied on for the 12.1% increase proposed in the Application) of the contracts between the Authority and the referenced wholesale customers.*

The specified cost methodology is prescribed and is reflected in the attached contract excerpts. Please see Attachment IV-A for the Aquarion pertinent references from the original and most recent contract, Attachment IV-B for the City of Meriden, and Attachment IV-C for Connecticut Water. The complete specified methodology (i.e., the "Wholesale Rate Study" prepared by Guastella Associates, Inc.), pertinent to all three wholesale customers, is included in Attachment IV-C.

The Wallingford and Southington Interconnection/Emergency Use contracts are also included as Attachments IV-D and IV-E, respectively. These agreements purposely do not reference the study prepared by Guastella Associates.

ATTACHMENT- I

The schedule below reflects the update for actuals, through July 31, 2021, to the twelve month historical periods. The schedule **does not** reflect any re-projections of August through November 2021. We did update May 2021 for any known adjustments between our preliminary results, available at the time of submitting the application, and results anticipated in our final fiscal 2021 financials.

As Submitted:

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABS Subsidy	Total Collections
	(\$000 omitted)					
Jul. 20 - Jun. 21	\$108,961	\$8,448	\$6,650	\$163	\$663	\$124,885
Aug. 20 - Jul. 21	108,429	9,318	6,640	152	663	125,202
Sep. 20 - Aug. 21	106,942	9,071	6,499	146	992	123,650
Oct. 20 - Sep. 21	108,271	8,460	6,536	135	992	124,394
Nov. 20 - Oct. 21	107,894	8,491	6,411	139	992	123,927
Dec. 20 - Nov. 21	107,093	8,385	6,564	149	992	123,183
Jan. 21 - Dec. 21	108,072	8,403	6,576	154	659	123,864

Updated for actuals through July, 2021:

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABS Subsidy	Total Collections
	(\$000 omitted)					
Jul. 20 - Jun. 21	\$109,060	\$8,430	\$7,152	\$156	\$663	\$125,461
Aug. 20 - Jul. 21	108,916	7,243	7,057	137	663	124,016
Sep. 20 - Aug. 21	107,429	6,996	6,898	131	992	122,446
Oct. 20 - Sep. 21	108,758	6,385	6,917	120	992	123,172
Nov. 20 - Oct. 21	108,381	6,416	6,775	124	992	122,688
Dec. 20 - Nov. 21	107,580	6,310	6,910	134	992	121,926
Jan. 21 - Dec. 21	108,559	6,328	6,904	139	659	122,589

Variance

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABS Subsidy	Total Collections
	(\$000 omitted)					
As Submitted:						
Dec. 20 - Nov. 21	\$107,093	\$8,385	\$6,564	\$149	\$992	\$123,183
Updated:						
Dec. 20 - Nov. 21	107,580	6,310	6,910	134	992	121,926
Variance:						
Dec. 20 - Nov. 21	\$487	(\$2,075)	\$346	(\$15)	\$0	(\$1,257)

(in millions of dollars)

Category	Variance	Explanation & Summary for Dec 20 – Nov 21
Water and Private Fire	\$509	Water Only: Metered water billings have been above budget for the first two months of the fiscal year and cash receipt outside a year is above budget, this has been partially offset by lower conversion to cash receipts associated with June and July billings. While fiscal year-to-date this variance is favorable, this may be offset by lower billings and/or lower conversion to cash in future months. There are still lingering uncertainties related to the pandemic as well as the potential for other variances between our budget assumptions and our actual experience through November 2021.
	(\$22)	Private Fire: This variance is primarily due to cash receipt associated with the July semi-annual private fire billings. While we believe this is primarily timing, we will be monitoring cash receipt on our private fire service billings.
	\$ 487	Total Water and Private Fire Variances
Public Fire	(\$2,075)	This under run is due to the timing of cash receipt on our July semi-annual public fire billings. We do expect to recovery this under run over the next couple of months.
Non-Water Sales	\$346	The primary drivers of this increase relate to the updates associated with May 2021. An insurance settlement (\$200,000) is reflected in non-operating income and is non-recurring. There was also an increase in jobbing revenue as a result of our fiscal year-end review of deferred revenue. Results for just the first two months of the fiscal year are only approximately \$18,000 above budget.
Interest Income/BAB's	(\$15)	This variance is attributed to lower than anticipated investment earnings as well as timing due to payment frequency of recently purchased securities. It should also be noted that the November to December historical period includes three Build America Bonds (BAB's) payments versus two. This is due to the timing of receipt of payment due to the pandemic. This is not expected to re-occur.
	(\$1,257)	Total variance for November 2020 to December 2021 historical period.

S&P Global
Ratings

RatingsDirect®

Summary:

South Central Connecticut Regional Water Authority; Water/Sewer

Primary Credit Analyst:

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Outlook

Summary:

South Central Connecticut Regional Water Authority; Water/Sewer

Credit Profile

US\$80.0 mil wtr sys rev rfdg bnds taxable ser 35 due 08/01/2043

Long Term Rating

AA-/Stable

New

South Cent Connecticut Regl Wtr Auth wtr

Long Term Rating

AA-/Stable

Affirmed

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating and stable outlook to South Central Connecticut Regional Water Authority's (SCCRWA) 35th series 2019 water system revenue refunding bonds and affirmed its 'AA-' long-term rating and underlying rating (SPUR), with a stable outlook, on SCCRWA's existing debt.

The rating reflects our opinion of SCCRWA's very strong enterprise- and financial-risk profiles.

The very strong enterprise-risk profile reflects our opinion of SCCRWA's:

- Location in the broad, diverse New Haven-Waterbury-Meriden metropolitan statistical area;
- Water rates we consider affordable in the majority of the service area;
- Ample water supply and treatment capacity; and
- Strong and comprehensive operational management practices and policies under our Operational Management Assessment (OMA) methodology.

The very strong financial-risk profile reflects our opinion of SCCRWA's:

- All-in debt service coverage (DSC) we consider strong, albeit relatively low for a high investment-grade credit;
- Extremely strong liquidity with 194 days' cash on hand at fiscal year-end 2019;
- High debt with a net debt-to-capitalization ratio of 74%--We expect debt will likely remain high; and
- Very strong financial management policies and practices under our good Financial Management Assessment (FMA) methodology.

SCCRWA's net revenue pledge and money and securities held in all resolution-established funds secure the series 2019 bonds and parity debt.

Officials intend to use series 2019 bond proceeds to advance refund some debt and pay issuance costs.

Bond provisions are adequate, in our view. The rate covenant requires 1.25x DSC before payments in lieu of taxes

(PILOTs) and 1.14x DSC including PILOTs.

Enterprise risk

SCCRWA provided retail water service to about 119,500 customers as of May 31, 2019, in 15 municipalities in south-central Connecticut, the largest of which is New Haven. Service-area weighted-average median household effective buying income is, in our view, good at 111% of the national average. Historically, New Haven County has relatively high unemployment: Unemployment of 4.6% in August 2019 was higher than the nation's 3.6%. The system's customer base is stable and diverse with residential customers accounting for 69% of revenue in fiscal 2019 and the 10 leading customers, excluding wholesale customers, accounting for less than 7%.

Rates are affordable, in our opinion, compared to service-area median household effective buying income and county poverty rates. Based on the average consumption of 8 hundred cubic feet monthly, the residential bill of \$55.63 represents about 1.2% of median household effective buying income.

While SCCRWA last raised rates by 6.1% in July 2019, it reviews rates formally every 18 months and updates its long-term planning. SCCRWA must submit proposed rate increases to the representative policy board for approval. We note that SCCRWA has an established record of regular rate adjustments every one year to two years and that the board has approved every rate request since 1980.

SCCRWA obtains its water supply from four active surface supplies, providing about 85% of available water, and seven wellfields. In our opinion, treatment capacity is good and long-term water supply is ample. For fiscal 2019, management reported average-and-peak daily demands of 43 million gallons per day (mgd) and 62 mgd, respectively, compared with a maximum total treatment capacity of 129 mgd. The total safe yield--the yield that can be reasonably expected in 99 of 100 years--of all active sources is 83 mgd; due to regulations, however, the safe yield will be roughly 77 mgd after 2026.

Overall, daily production has decreased by about 1% annually, according to management. Management accounts for operational-projection and rate-setting reductions. With the stable service area and decreasing production, management focuses on rate affordability and economic development to attract businesses with heavy water demands.

Based on our OMA, we view SCCRWA as a '1' on a six-point scale, with '1' being the strongest and '6' the weakest, indicating operational and organizational goals are generally well aligned and forward looking.

Consistent with the article titled "Methodology: Industry Risk," published Nov. 19, 2013, on RatingsDirect, we consider system industry risk very low, the most favorable assessment possible on a six-point scale, with '1' being the best and '6' the worst.

Financial risk

In our opinion, finances are strong but weaker than many other 'AA-' category credits. All-in DSC, including PILOTs and excluding rate-stabilization-fund transfers and depreciation, has ranged from 1.4x-1.5x during the past three fiscal years; based on our review of management's projections, this is likely to remain at levels we consider strong for the next few years.

Liquidity, including rate-stabilization reserves, has consistently strengthened recently with available reserves

increasing to \$36 million, or 194 days' cash on hand, at fiscal year-end 2019 from \$32 million, or 185 days', at fiscal year-end 2017. However, due to management's plans to use a combination of cash, pay-as-you-go funding, and debt to fund capital investments in 2020-2024, liquidity could decrease somewhat. Management holds internally generated funds in the construction fund; so, when SCCRWA expends these funds, it will not lower these particular resources. We expect management will likely maintain a \$10 million rate-stabilization-fund balance, which, based on the largest historical draw of \$3 million in fiscal 2010, would cover three years of wet summers.

SCCRWA updates its five-year planning model annually in connection with the budgeting process. Moreover, its debt-to-capitalization ratio has been historically high, in our view: It was 74% in fiscal 2019, down from more than 90% during fiscal years 2010-2014.

SCCRWA does not have any swaps, variable-rate debt, or direct-purchase obligations. Pension and other-postemployment-benefit (OPEB) pressure is manageable. The pension plans closed in fiscal years 2010 and 2011 and OPEB closed in 2006. Management has taken an aggressive approach to funding these liabilities, and it exceeded the pensions' annual required contributions from fiscal years 2016-2019.

SCCRWA's proposed capital plan for 2020-2024 totals roughly \$177 million. According to management projections, it will fund about 60% of the plan with additional revenue bonds and state-revolving-fund loans and the remainder with existing reserves, pay-as-you-go funding, and other sources. In our opinion, these projections appear reasonable due to revenue-and-expenditure trends and assumed rate increases.

Based on our FMA, we consider SCCRWA a '2' on a six-point scale with '1' being the strongest and '6' the weakest, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

SCCRWA maintains conservative budgeting and strong budget monitoring, providing the authority board with quarterly actual-to-budget updates; management, however, reviews budget-to-actual results monthly. Management maintains a rolling five-year capital improvement plan, and it forecasts finances to understand funding and rate needs. The FMA includes transparency and accountability practices we consider good due to the system's annual and timely audits that comply with generally accepted accounting principles.

Outlook

The stable outlook reflects S&P Global Ratings' opinion SCCRWA will likely continue to produce financial results consistent with recent levels and adjust rates, as needed, to maintain DSC commensurate with the rating. We also do not expect any major system operational issues because it currently has ample capacity, and we think the diverse customer base provides stability.

Upside scenario

We could raise the rating if days' cash on hand or all-in DSC were to strengthen to levels we consider consistent with a higher rating despite the burden of cash-funded capital plans and additional debt. We recognize DSC is somewhat suppressed currently due to management's decision to fund the pension liability aggressively.

Downside scenario

We could lower the rating if DSC or liquidity were to erode beyond management's projections to levels we no longer consider consistent with the current rating.

Ratings Detail (As Of October 18, 2019)		
South Cent Connecticut Regl Wtr Auth wtr (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (MBIA) (BHAC)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (MBIA) (National)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth Wtr		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Summary:

**South Central Connecticut Regional
Water Authority; Water/Sewer**

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Summary:

South Central Connecticut Regional Water Authority; Water/Sewer

Credit Profile

US\$82.98 mil wtr sys rev rfdg bnds (taxable) ser 34TH B due 08/01/2043		
<i>Long Term Rating</i>	AA-/Stable	New
US\$14.51 mil wtr sys rev bnds (green bnds) ser 34TH C due 08/01/2049		
<i>Long Term Rating</i>	AA-/Stable	New
US\$11.075 mil wtr sys rev bnds ser 34TH A due 08/01/2049		
<i>Long Term Rating</i>	AA-/Stable	New
South Cent Connecticut Regl Wtr Auth wtr		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to South Central Connecticut Regional Water Authority's (SCCRWA) 2019A, 2019B, and 2019C water system revenue and revenue refunding bonds. The 2019C series are labeled as green bonds. At the same time, we affirmed our 'AA-' rating on the authority's outstanding parity bonds. The outlook is stable.

The ratings reflect our opinion of the district's very strong enterprise and financial risk profiles. The very strong enterprise risk profile includes:

- The authority's location in the broad and diverse New Haven-Waterbury-Meriden metropolitan area;
- Water rates that we believe are affordable in the majority of the service area;
- Ample water supply and treatment capacity; and
- Strong and comprehensive operational management practices and policies.

The very strong financial risk profile includes:

- All-in coverage that we consider strong, but relatively low for a high investment-grade credit;
- Extremely strong liquidity with 201 days' cash on hand at the end of fiscal 2018;
- A highly leveraged system, with a net debt-to-capitalization ratio of 74% and that we expect will remain highly leveraged; and
- Very strong financial management policies and practices.

A pledge of the SCCRWA's net revenues, as well as money and securities held in all funds the resolution established, secures the bonds and parity debt. Bond proceeds will be used to pay for capital investments, currently refund and

advance refund some authority debt, and pay costs of issuance.

Bond provisions are adequate, in our view. The rate covenant requires debt service coverage (DSC) of 1.25x before payments in lieu of taxes (PILOTs) and 1.14x including PILOTs.

Enterprise risk profile

The SCCRWA provided retail water service to about 119,200 customers as of May 31, 2018, in 15 municipalities in south-central Connecticut, the largest of which is New Haven. The service area weighted average median household effective buying income (MHHEBI) is good at 107% of the national average. New Haven County historically has relatively high unemployment, although the 3.4% unemployment rate in April 2019 was close to the national average of 3.3%. We consider the system's customer base stable and diverse: Residential customers accounted for 69% of revenues and the 10 leading customers (excluding wholesale) accounted for less than 7% of revenues in fiscal 2018.

The authority obtains its water supply from four active surface supplies (which provide approximately 85% of available water) and seven well fields. In our opinion, the system's treatment capacity is good and its long-term water supply is ample. For fiscal 2018, management reported average and peak daily demands of 45 million gallons per day (mgd) and 65 mgd, respectively, compared with a maximum total treatment capacity of 129 mgd. The total safe yield (the yield that can be reasonably expected in 99 out of 100 years) of all active sources is 79 mgd. Overall, daily production has decreased at about 1% per year, according to management. With the stable service area and decreasing production, management is focused on both rate affordability and economic development to attract businesses with a heavy water demand. Also, to offset declining demand, management is looking to expand nonwater revenue, now at about \$7.8 million, or 6% of operating revenue.

Based on our operational management assessment, we view the district to be a '1' on a scale of '1' to '6', '1' being the strongest. This indicates, in our view, that operational and organizational goals are generally well aligned and forward-looking.

Financial risk profile

In our opinion, finances are strong, but weaker than those of many other 'AA-' category credits. All-in coverage (including PILOT payments and excluding rate stabilization fund transfers and depreciation) has ranged from 1.2x to 1.5x over the last three fiscal years, and based on our review of management's projections, is likely to remain at levels we consider strong for the next few years. System liquidity has consistently strengthened in recent years, with available reserves growing from \$23 million (153 days' cash) at the end of fiscal 2013 to \$35 million (201 days) at the end of fiscal 2018. However, given management's plans to use a combination of cash and pay-as-you-go funding as well as debt to fund capital investments in 2019-2024, balances may decline somewhat. Internally generated funds are held in the construction fund so when they are expended, it will not lower these particular resources. We expect management will maintain a \$10 million balance in the rate-stabilization fund, which would cover three years of wet summers based on its largest historical draw of \$3 million from fiscal 2010.

The authority updates its five-year planning model annually in connection with the budgeting process. Moreover, its debt-to-plant ratio has been historically high, in our view, at 74% in fiscal 2018, but down from over 90% from fiscal years 2010-2014. The authority has no swaps, variable-rate debt, or direct-purchase obligations outstanding. Pension and other postemployment benefit (OPEB) pressures are manageable, with the pension plans closed in 2010 and 2011

and the OPEB benefits closed in 2006. Management has taken an aggressive approach to funding these liabilities, and exceeded the pensions' annual required contribution from 2016 through 2019.

The SCCRWA's proposed capital plan for 2020-2024 totals approximately \$176 million. According to management projections, approximately 43% of the plan will be funded with additional revenue bonds and state revolving fund loans, as well as using existing cash reserves, pay-as-you-go funding, and other sources. We believe these projections appear reasonable given trends in revenues and expenses and assumed rate increases.

Based on our financial management assessment (FMA), we consider the SCCRWA a '2' on a scale from '1' to '6', '1' being the strongest. An FMA of good indicates we consider practices and policies generally comprehensive. The authority maintains conservative budgeting and strong budget monitoring, providing the representative policy board with quarterly actual-to-budget updates, although management reviews the budget-to-actuals monthly. Management maintains a rolling five-year capital improvement plan, and it forecasts financials to understand funding and rate needs. The FMA includes transparency and accountability practices we consider good due to the system's annual and timely audits that comply with generally accepted accounting principles.

Outlook

The stable outlook reflects our expectation that the authority will continue to produce financial results consistent with recent levels and continue to adjust rates as needed to maintain DSC commensurate with the rating level. We also do not expect any major operational issues with the system because it currently has ample capacity and we believe the diverse customer base provides stability.

Upside scenario

If management strengthens days' cash or all-in coverage despite the burden of cash-funded capital plans and additional debt to levels consistent with a higher rating, we could raise the rating. We do recognize that coverage is somewhat suppressed at this time due to management's decision to aggressively fund the pension liability.

Downside scenario

We could lower the rating if either coverage or liquidity erode beyond management's projections to levels no longer consistent with the current rating.

Ratings Detail (As Of June 5, 2019)

South Cent Connecticut Regl Wtr Auth wtr (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (MBIA) (BHAC)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (MBIA) (National)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Summary: South Central Connecticut Regional Water Authority; Water/Sewer

Ratings Detail (As Of June 5, 2019) (cont.)

South Cent Connecticut Regl Wtr Auth wtr

Unenhanced Rating

AA-(SPUR)/Stable

Affirmed

South Cent Connecticut Regl Wtr Auth Wtr

Unenhanced Rating

AA-(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Summary: South Central Connecticut Regional Water Authority; Water/Sewer

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Attachment III

MOODY'S
INVESTORS SERVICE

CREDIT OPINION

15 October 2019



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South Central Connecticut Reg Water Auth, CT

Update to credit analysis

Summary

South Central Connecticut Regional Water Authority (Aa3 stable; SCCRWA) serves the City of New Haven (Baa1 stable) and neighboring communities across southern Connecticut (A1 stable). SCCRWA's history of timely rate increases and management's proactive long-term planning have supported the authority's stable debt service coverage and healthy liquidity. The authority's debt remains elevated, but continues to decline. The authority's bonds are supported by adequate legal provisions.

Credit strengths

- » Healthy liquidity levels
- » Stable debt service coverage
- » Strong history of rate increases to support operations and capital needs
- » Management's multi-year financial and capital planning

Credit challenges

- » Elevated debt burden
- » Declining consumption trends

Rating outlook

The stable outlook reflects the expectation that SCCRWA will continue to implement timely rate increases to support operational and capital needs and that debt service coverage and liquidity levels will remain healthy.

Factors that could lead to an upgrade

- » Strengthened debt service coverage metrics
- » Material reduction in debt burden

Factors that could lead to a downgrade

- » Deterioration of debt service coverage levels or contraction of liquidity
- » Significant addition to leverage profile

Key indicators

Exhibit 1

South Central Connecticut Reg Wtr Auth					
System Characteristics					
Asset Condition (Net Fixed Assets / Annual Depreciation)	24 years				
System Size - O&M (\$000)	\$62,946				
Service Area Wealth: MFI % of US median	65.90%				
Legal Provisions					
Rate Covenant (x)	1.14x				
Debt Service Reserve Requirement	DSRF funded at the lesser of the standard 3-prong test (Aa)				
Management					
Rate Management	Aa				
Regulatory Compliance and Capital Planning	Aa				
Financial Strength					
	2015	2016	2017	2018	2019
Operating Revenue (\$000)	\$109,162	\$115,441	\$123,336	\$120,865	\$125,195
System Size - O&M (\$000)	\$52,450	\$57,446	\$60,770	\$59,959	\$62,946
Net Revenues (\$000)	\$61,474	\$62,420	\$69,319	\$68,733	\$71,826
Net Funded Debt (\$000)	\$566,912	\$517,174	\$506,396	\$499,043	\$489,991
Annual Debt Service (\$000)	\$39,896	\$41,921	\$38,522	\$40,165	\$43,219
Annual Debt Service Coverage (x)	1.5x	1.5x	1.8x	1.7x	1.7x
Cash on Hand	130 days	138 days	135 days	154 days	152 days
Debt to Operating Revenues (x)	5.2x	4.5x	4.1x	4.1x	3.9x

Source: Moody's Investors Service and audited financial statements

Profile

Created in 1977, the South Central Connecticut Water Authority provides water service to 15 communities in south central Connecticut (A1 stable). The authority furnishes water through wholesale agreements with Aquarion Water Company, the City of Meriden, and Connecticut Water. The service area includes approximately 119,500 customers, with an aggregate service area population of approximately 501,000.

Detailed credit considerations

Service area and system characteristics: Large system in southern Connecticut

The authority provides water service to 15 communities in the south central part of the state, the largest of which is the City of New Haven, representing approximately 26% of the authority's serviced population. Due to the largely built-out nature of the member communities, the authority has experienced negligible customer growth over the last few years and we do not expect significant growth going forward. The system's customer base is largely residential and there is minimal concentration, with the 10 largest customers represent 9.3% of fiscal 2019 consumption and 6.5% of 2019 revenue. The largest customer, Yale University (Aaa stable), comprised 3% of 2019 revenue.

The system has sufficient capacity and includes several water treatment facilities and a distribution system. The available water supply draw is 77.2 MGD, provided from a total of four active surface water supplies and seven groundwater fields. This capacity is well above the system's average day demand of 43.3 MGD. The system's 2019 peak demand was 68.5 MGD. The authority anticipates being able to meet all of its projected demands in the coming decades using its existing sources.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Debt service coverage and liquidity: Regular rate increases and conservative budgeting supports stable financial position

Debt service coverage levels by net revenue for fiscal 2019 (ending May 31) was 1.66 times debt service (GAAP basis, excluding PILOT payments which are subordinate to debt service). Per the authority's covenants, revenue are calculated on a cash basis rather than an accrual basis. On a cash basis per the indenture, fiscal 2019 net revenue provided 1.23 times coverage inclusive of PILOT payments and 1.41 times exclusive of PILOT payments.

For fiscal 2020, management forecasts a continuation of stable operating results but a modest reduction in coverage driven by the increase in general O & M. Management forecasts coverage (cash basis) of 1.14 times (including PILOT payments) and 1.35x (excluding PILOT payments), slightly down from fiscal 2019 results but consistent with the historic budgeted projections. In July 2019 the authority implemented a scheduled 6% rate increase.

Despite an average annual consumption decline of approximately 1.1% between 1999 and 2019, management has been able to generate stable operating results in the last few years by implementing timely rate increases, which largely coincide with regular bond issuances. Water rates have increased greater than 5% six times since 2010.

LIQUIDITY

The authority's overall liquidity is healthy. While the authority's unrestricted cash and investments totaled \$26.2 million (152 days cash on hand), it benefits from reserves in multiple other funds. The authority maintains a rate stabilization fund which has a balance of \$10 million as of fiscal 2019. Favorably, the authority has not drawn on the fund since fiscal 2010. Additionally, the authority also has balances (as of fiscal 2019) in its Operating Reserve (\$10.2 million) and other reserves held in the Capital Contingency Fund (\$6 million) and Debt Service Fund (\$27.4 million). The liquidity present in these other funds, all of which are legally available to pay debt service, is a key strength of the rating.

Debt and legal covenants: Adequate bondholder protections

Adequate bondholder legal protections include a rate covenant that requires net revenue provide 1.14 times coverage of senior lien debt after PILOT payments to local municipalities and depreciation expense, and requires net revenue provide 1.25 times coverage prior to PILOT payments.

The general bond resolution also includes an additional bonds test (ABT) which requires net revenue, adjusted to reflect the effect of any adopted rate increases and any transfers from the rate stabilization fund, are not less than 1.14 times maximum annual debt service (MADS) for the current or any future fiscal year for outstanding bonds and additional bonds. The legal provisions also include a debt service reserve requirement equal to the standard three-pronged test.

The authority's debt ratio will remain elevated given expected future borrowing to support ongoing capital needs. The fiscal 2019 debt ratio is high at 74.4%. Debt (net of debt service reserves fund) to operating revenue is also elevated at 3.9x in fiscal 2019. The authority's five-year capital plan calls for approximately \$35 million of annual capital spending, of which roughly 50% will be financed bonded debt.

DEBT STRUCTURE

All outstanding debt is fixed rate.

DEBT-RELATED DERIVATIVES

The authority is not party to any derivative agreements.

PENSIONS AND OPEB

The authority contributes to two single-employer defined benefit plans. The plans, which are both closed to new entrants, have a combined \$17.1 million unfunded actuarial unfunded liability. Favorably, the authority is making efforts to address this liability. The authority contributed above its actuarially required contribution ifor for the past four years through fiscal 2019.

The authority's OPEB liability is manageable at \$20 million (January 2019 valuation) and is 25.9% funded. The authority has met its actuarially determined contribution in 2018 and 2019.

Management and governance

The authority was established in 1977 by an act of the Connecticut General Assembly for the purpose of providing water and waste water services to the district. The authority is governed by a five-member board of directors who serve staggered five-year terms.

Additionally, a Representative Policy Board (RPB) oversees the authority to appoint members of the board of directors and provide approvals for major actions including rate increases and the issuance of debt. Water rates have historically been approved in a timely manner. Rate increases have been regular and are typically implemented at the time of each bond sale, generally every 18 months.

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REPORT NUMBER 1199196

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Attachment IV-A
Aquarion

AGREEMENT

AGREEMENT entered into this 31st day of MAY, 1984 by and between SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY (hereinafter referred to as the "AUTHORITY") and BRIDGEPORT HYDRAULIC COMPANY (hereinafter referred to as "BRIDGEPORT HYDRAULIC").

W I T N E S S E T H:

WHEREAS, BRIDGEPORT HYDRAULIC wishes to purchase a portion of its water supply requirements from the AUTHORITY; and

WHEREAS, the AUTHORITY is willing to sell water to BRIDGEPORT HYDRAULIC; and

WHEREAS, in order to accomplish the purpose stated above, pipeline and control facilities, pumps, and related items will be required to be designed, constructed, installed, maintained and operated between the AUTHORITY's existing water system and BRIDGEPORT HYDRAULIC's existing water system; and

BRIDGEPORT HYDRAULIC pursuant to Section 4 hereof. That portion of construction costs, as specified in Section 4 hereof, which are allocable to BRIDGEPORT HYDRAULIC pursuant to this subsection (a) shall be appropriately calculated and documented by the AUTHORITY and billed by the AUTHORITY monthly and in arrears. All payments required to be made pursuant hereto shall be made within 30 days of receipt of an invoice therefor.

(b) Monthly Payments. BRIDGEPORT HYDRAULIC agrees to pay to the AUTHORITY, monthly and in arrears, the Water Charge, as determined below, for the particular month. All payments required to be made pursuant hereto shall be made within 30 days of receipt of an invoice therefor.

(c) The Water Charge will be calculated as a charge per million gallons of water delivered each month by the AUTHORITY to BRIDGEPORT HYDRAULIC through the Project and shall be computed using the cost allocations detailed in the study entitled "Wholesale Rate Study" prepared by Guastella Associates, Inc., and dated June 27, 1983, a copy of which is attached hereto as Exhibit C. It is agreed that this study will be updated at the time of each rate case of the AUTHORITY subsequent to the date of this Agreement and that the Water Charge will be revised to reflect such updating. The amount used in such updating for calculating the operating and

maintenance expenditure portion of the Water Charge will be based on the budget used by the AUTHORITY for rate-making purposes and will include any adjustments made during the rate-making process. The book value of Utility Plant used in such updating calculation will be based on the most recent filing with the Department of Public Utility Control. The percentages used to allocate expenditures to general service as used on Schedule B and Schedule C-1 of Exhibit C hereof, will not change during the term of this Agreement. Notwithstanding the foregoing or the amount of water actually delivered to BRIDGEPORT HYDRAULIC, the monthly Water Charge and the Water Charge for the last month of each calendar year shall be adjusted if necessary to reflect the minimum purchase requirements of Section 6 hereof. The AUTHORITY hereby agrees that all property taxes and other taxes based on the value of property paid by BRIDGEPORT HYDRAULIC with respect to the pipeline portions of the Project owned by BRIDGEPORT HYDRAULIC shall be credited against the Water Charges otherwise payable by BRIDGEPORT HYDRAULIC to the AUTHORITY. Said credit against the monthly Water Charge shall be equal to one-twelfth of BRIDGEPORT HYDRAULIC's estimate of said property taxes and other taxes based on the value of property to be paid in each fiscal year commencing July 1, and shall be adjusted in the Water Charge for June in each year if necessary to reflect any difference between said annual estimate and the actual amounts paid by BRIDGEPORT HYDRAULIC for such taxes during the fiscal year then ended.

M 815

SECOND AMENDMENT TO AGREEMENT

Aquarion

This SECOND AMENDMENT TO AGREEMENT (this "Amendment") is dated as of October 15, 2014 between SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY, a public corporation and political subdivision of the State of Connecticut (the "Authority"), and AQUARION WATER COMPANY OF CONNECTICUT, a Connecticut corporation (f/k/a Bridgeport Hydraulic Company) ("Aquarion").

WITNESSETH:

WHEREAS, the Authority and Aquarion are parties to an Agreement dated May 31, 1984, as amended by the letter agreement dated January 31, 1985 (the "Agreement"), pursuant to which the Authority provides water to Aquarion at an interconnection between their systems in Seymour, Connecticut; and

WHEREAS, Aquarion and the City of Derby, Connecticut are parties to an Asset Purchase Agreement dated as of June 12, 2013 (the "Asset Purchase Agreement"), pursuant to which Aquarion will purchase the East Derby water system (the "East Derby System") from the City of Derby subject to the conditions set forth therein; and

WHEREAS, the Authority and Aquarion wish to amend the Agreement to provide for the Authority to supply water to Aquarion at the two existing interconnections between the Authority's systems and the East Derby System;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Aquarion and the Authority agree as follows:

1. In the first paragraph of the Agreement, the phrase "BRIDGEPORT HYDRAULIC COMPANY (hereinafter referred to as "BRIDGEPORT HYDRAULIC")" is deleted in its entirety and replaced with "AQUARION WATER COMPANY OF CONNECTICUT (hereinafter referred to as "AQUARION")."

2. Each reference in the Agreement to "BRIDGEPORT HYDRAULIC" is changed to "AQUARION."

3. Section 2 of the Agreement is deleted in its entirety and replaced with the following:

2. Modifications to AQUARION Water Supply System. AQUARION agrees to effect, at its own cost, any and all modifications to its existing water supply system that are necessary or desirable to enable it to accept delivery of water for its existing water supply system in Seymour (the "Valley System") through the Project and through the interconnections between the water supply systems of the AUTHORITY and AQUARION located at the East Derby Grandview Meter Pit (the "East Derby Grandview Interconnection Meter Pit") and the Sodom Lane Pump Station (the "East Derby Sodom Lane Interconnection") in East Derby, Connecticut (the "East Derby Interconnections"),

including the design, construction and installation of pipeline and related facilities. The East Derby Interconnections are interconnected to AQUARION's water system in East Derby (the "East Derby System").

4. The first sentence of Section 3(c) of the Agreement is deleted in its entirety and replaced with the following:

(c) The Water Charge will be calculated as a charge per million gallons of water and shall be computed using the cost allocation detailed in the study entitled "Wholesale Rate Study" prepared by Guastella Associates, Inc., and dated June 27, 1983, a copy of which is attached hereto as Exhibit C, as updated pursuant to this Section 3(c). For the Valley System, for each of January through November of each year, the AUTHORITY will invoice AQUARION for the Water Charge that would be due if AQUARION were to purchase the annual minimum requirement for the Valley System under Section 6 below (i.e., one-twelfth of the Water Charge for 200 million gallons), and for December of each year, the AUTHORITY will invoice AQUARION for both one-twelfth of the annual minimum requirement under Section 6 below and any actual water delivered by the AUTHORITY to the Valley System through the Project during that calendar year in excess of that annual minimum requirement. For the East Derby System, the AUTHORITY will invoice AQUARION the Water Charge for the actual amount of water delivered to the East Derby System through the East Derby Interconnections during each month.

5. Section 6 of the Agreement is deleted in its entirety and replaced with the following:

6. Quantities. The AUTHORITY agrees to deliver up to four million gallons of potable water per day to AQUARION's Valley System point of connection to the Project at a hydraulic gradient of 450 feet based on U.S.G.S. datum. The AUTHORITY agrees to deliver sufficient potable water, subject to applicable permits, to meet the needs of AQUARION's East Derby System at the point of connection to the East Derby Grandview interconnection at a hydraulic gradient of 463 feet and to the East Derby Sodom Lane Pump Station Interconnection at a minimum hydraulic gradient under normal operations of 292 feet based on U.S.G.S. datum. AQUARION agrees to purchase a minimum quantity of 200 million gallons of potable water per year through the Project for the Valley System commencing January 1, 1986 and during the term of this Agreement and further agrees during such period that it will purchase a minimum quantity of 5 million gallons of potable water per month. AQUARION and the AUTHORITY will cooperate in good faith to meet the needs of the Valley System and the East Derby System as they exist as of October 16, 2014 and, if in the best interest of AQUARION and the AUTHORITY, any subsequent expansion thereof.

6. In Section 7 of the Agreement:

a. the proviso in the first sentence thereof is deleted in its entirety and replaced with the following:

Attachment IV-B
City of Meriden

AGREEMENT

AGREEMENT entered into this 19th day of July, 1985 by and between SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY (hereinafter referred to as the "AUTHORITY") and THE CITY OF MERIDEN (hereinafter referred to as "MERIDEN").

W I T N E S S E T H:

WHEREAS, MERIDEN wishes to purchase a portion of its water supply requirements from the AUTHORITY; and

WHEREAS, the AUTHORITY is willing to sell water to MERIDEN; and

WHEREAS, in order to accomplish the purpose stated above, pipeline and related facilities will be required to be designed, constructed, installed, maintained and operated between the AUTHORITY's existing water system and MERIDEN's existing water system; and

AUTHORITY'S latest bond issue. The current rate is 10.67% per annum.

(c) Monthly Payments. MERIDEN agrees to pay to the AUTHORITY, monthly and in arrears, the Water Charge, as determined below, for the particular month. All payments required to be made pursuant hereto shall be made within 30 days of receipt of an invoice therefor.

(d) Water Charge. The Water Charge will be calculated as a charge per million gallons of water delivered each month by the AUTHORITY to MERIDEN through the Project (currently \$730 per MG) and shall be computed using the cost allocations detailed in the study entitled "Wholesale Rate Study" prepared by Guastella Associates, Inc., and dated June 27, 1983, a copy of which is attached hereto as Exhibit B. It is agreed that this study will be updated at the time of each rate case of the AUTHORITY subsequent to the date of this Agreement and that the Water Charge will be revised to reflect such updating. The AUTHORITY will give MERIDEN written notice of any public hearing on any proposal to raise the wholesale water rates of the AUTHORITY not later than the date of publication of the public notice thereof. The amount used in such updating for calculating the operating and maintenance expenditure portion of the Water Charge will be based on the

budget used by the AUTHORITY for rate-making purposes and will include any adjustments made during the rate-making process. The book value of Utility Plant used in such updating calculation will be based on the most recent filing with the Department of Public Utility Control. The percentages used to allocate expenditures to general service as used on Schedule B and Schedule C-1 of Exhibit C hereof, will not change during the term of this Agreement. Notwithstanding the foregoing or the amount of water actually delivered to MERIDEN, the monthly Water Charge and the Water Charge for the last month of each calendar year shall be adjusted if necessary, as provided in Section 5 hereof, to reflect the minimum purchase requirements of Section 5 hereof.

4. Approvals and Conditions. It is understood by the parties that this Agreement and/or certain of the transactions contemplated hereby are subject to approval by the duly authorized State of Connecticut agencies including the Department of Health Services and the Department of Environmental Protection, including the securing of a diversion permit from the Department of Environmental Protection. MERIDEN and the AUTHORITY agree to cooperate and use their best efforts in securing all necessary approvals. If a diversion permit cannot be obtained prior to the completion of the Project, the AUTHORITY will require concurrence from the Commissioner of

**SEVENTH AMENDMENT
TO
WHOLESALE WATER SALES AGREEMENT
BETWEEN
SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
AND
CITY OF MERIDEN**

This SEVENTH AMENDMENT TO WHOLESALE WATER SALES AGREEMENT BETWEEN SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY AND CITY OF MERIDEN (this "Agreement"), dated as of 19 MAR, 2021, is made by and between the South Central Connecticut Regional Water Authority, a public corporation and political subdivision of the State of Connecticut ("RWA") and the City of Meriden, Connecticut, a Connecticut municipality ("Meriden").

WHEREAS, RWA and Meriden entered into that certain Wholesale Water Sales Agreement dated as of July 19, 1985 (the "1985 Agreement"); and

WHEREAS, the 1985 Agreement was amended on April 1, 2013, again on January 14, 2016, again on June 23, 2016, again on January 31, 2017, again on January 1, 2018, and again on January 1, 2019 (the 1985 Agreement as amended by the First, Second, Third, Fourth, Fifth, and Sixth Amendments is referred to herein as the "Amended Agreement"); and

WHEREAS, the parties wish to extend the Amended Agreement for a period up to and including December 31, 2021 and modify the minimum and maximum quantities applicable to the one-year extension period created by this Seventh Amendment only;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants set forth herein, and for other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, RWA and Meriden hereby amend the 1985 Agreement as set forth below.

1. Section 3 (d) of the Amended Agreement is deleted and modified by substituting "Water taken by the Meriden under this agreement shall be priced at the current and applicable RWA wholesale rate based on the most recent available cost of service study. The water charges will be calculated as a charge per one million gallons and will be billed monthly at the applicable RWA wholesale rate in effect at the time of the sale."
2. Section 5 (a) of the Amended Agreement is modified by substituting "250,000 gallons" in place of "500,000 gallons" for the Monthly Minimum.
3. Section 7 of the Amended Agreement is modified by deleting "December 31, 2020" and substituting "December 31, 2021".

-
4. In all other respects the terms of the Amended Agreement remain in full force and effect.
 5. This Amendment shall be construed and enforced in accordance with and governed by the laws of the State of Connecticut (excluding its conflict-of-law rules).
 6. This Amendment may be executed by RWA and Meriden in any number of separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall together constitute one and the same Agreement. All signatures need not be on the same counterpart.

IN WITNESS WHEREOF, this Amendment has been executed by the parties as of the date first written above.

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY
Duly Authorized

By: Beth Nesteriak

Name: COO, Beth Nesteriak
Title: 3-22-21

CITY OF MERIDEN
Duly Authorized

By: [Signature]

Name: Timothy Coon
Title: City Manager

**Attachment IV-C
Connecticut Water**

Docket No. 06-06-02
Settlement Agreement
Exhibit A

Execution Copy 04-24-06

**WHOLESALE
WATER PURCHASE AGREEMENT**

This Wholesale Water Purchase and Sale Agreement ("Agreement") is entered into as of the 24th day of April, 2006, by and between the South Central Connecticut Regional Water Authority, a public corporation and a political subdivision formed pursuant to Special Act of the General Assembly of Connecticut and having a principal place of business at 90 Sargent Drive, New Haven, Connecticut 06511 (the "Authority"), and The Connecticut Water Company, a specially chartered Connecticut corporation and a public service company having a principal place of business at 93 West Main Street, Clinton, Connecticut 06413 (the "Company").

WHEREAS, the Authority owns and operates a water supply and distribution system for the purposes of supplying water within its district towns and to other municipalities and water systems; and

WHEREAS, the Company is a water company and a public service company subject to the jurisdiction of the Department of Public Utility Control of the State of Connecticut (the "DPUC"); and

WHEREAS, the Authority and the Company entered into an agreement for the potential emergency supply of water between systems at Boston Post Road (Route 1), in the vicinity of the Guilford/Branford town line in the State of Connecticut, dated as of April 24, 2003 (the "2003 Agreement"); and

WHEREAS, the Authority and the Company entered into an agreement for the interconnection of their respective water distribution facilities at a metered connection in Guilford, Connecticut, and the purchase by the Company of up to 49,000 gallons of water daily from the Authority, dated as of May 13, 2005 (the "2005 Agreement"); and

WHEREAS, the Authority and the Company desire to replace the 2005 Agreement with this Agreement, which increases the quantity of water available to the Company; and

WHEREAS, the Company, by virtue of its Charter, has the authority to enter into an agreement with the Authority encompassing matters set forth herein; and

WHEREAS, the Authority, by virtue of the special acts constituting its enabling legislation, has the authority to enter into an Agreement with the Company encompassing matters set forth herein;

NOW, THEREFORE, it is mutually agreed as follows:

1. Prior Agreements. Upon the Effective Date (as defined below), the 2005 Agreement shall terminate and be null and void and of no further force and effect,

provided that any obligations that arose prior to the termination (e.g., an obligation to pay for water taken) shall continue in full force and effect until performed. The 2003 Agreement shall remain in effect in accordance with its terms.

2. Capacity Reservation.

A. From and after the Effective Date, the Authority shall make available the quantity per day of potable water requested by the Company up to a maximum instantaneous flow rate of one million (1,000,000) gallons per day ("GPD") (the "Maximum Demand") of potable water to the Company through the existing metered interconnection (the "Interconnection") located on Boston Post Road (Route 1) in Guilford, Connecticut in the vicinity of the Guilford-Branford town boundary. In no event shall the Company have the right to take or the Authority the obligation to deliver more than one million gallons in any 24 hour period. The Company shall be under no obligation to take any minimum quantity of water through the interconnection. For purposes of this Agreement, potable water is water that meets the quality standards applicable to the Authority for public drinking water established by the State of Connecticut and the United States government pursuant to applicable statutes and regulations.

B. The Authority will use all reasonable efforts to prevent interruptions of service and, when interruptions occur, will reestablish service within the shortest practicable period consistent with the safety of its customers and the general public.

3. Volumetric Water Charges

A. The Company shall take water if, as and when it requires up to the Maximum Demand by operating its pumps and related equipment to draw water through the interconnection. The Authority shall deliver water to the Company at a hydraulic gradient between 250 and 310 feet based on USGS datum. The Company shall furnish, own, operate and maintain all necessary equipment and pay all associated costs associated with pumping the water into its distribution system.

B. The Company shall pay for water delivered to the Company at the then current wholesale rate calculated according to the methodology described in Attachment A attached hereto.

C. The Company shall pay the Authority for water delivered based on readings of the meter referred to in Section 5 hereof and as shown on bills to be rendered by the Authority for water sales. The Company agrees to pay all bills for water within thirty (30) days of the date the bill is rendered. Water service to the Company may be discontinued if any such bill is not paid within thirty (30) days of the due date for such time as the delinquent bill remains unpaid.

D. The Authority's obligation to deliver water shall at all times be subject to any governmental or regulatory order allocating or rationing water supplies and drought response and similar plans approved by

Attachment A

Wholesale Rate Methodology

GUASTELLA ASSOCIATES, INC.

UTILITY MANAGEMENT • VALUATION • RATE CONSULTANTS

P.O. BOX 571, 88 MAIN STREET
PEARACK, NEW JERSEY 07771
GR11 214-1717

June 27, 1983

Mr. Marshall T. Chiaraluze
Chief Operating Officer
Regional Water Authority
90 Sargent Drive
New Haven, CT 06511

Dear Mr. Chiaraluze:

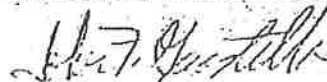
In accordance with your request, I am transmitting this report as to a study of wholesale rates.

The study sets forth the methodology and cost allocations used in the development of a recommended wholesale rate of \$680 per million gallons. This rate is designed to recover the basic cost of selling wholesale water, with general applicability to all potential wholesale customers. Any additional costs necessary to meet the requirements of a particular customer would have to be treated on an individual basis.

I appreciate the opportunity to perform this study, and I trust it will be beneficial to the Water Authority in extending service to wholesale customers.

Respectfully submitted,

GUASTELLA ASSOCIATES, INC.



John F. Guastella
President

JFG:gm

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* * * * *

SCHEDULE A	ALLOCABLE 1983 BUDGET
SCHEDULE B	GENERAL SERVICE CLASSIFICATION OF OPERATION AND MAINTENANCE
SCHEDULE C-1	GENERAL SERVICE CLASSIFICATION OF PILOT AND DEBT SERVICE
SCHEDULE C-2	GROUP CLASSIFICATION OF PILOT AND DEBT SERVICE
SCHEDULE D	CALCULATION OF WHOLESALE USAGE RATE

INTRODUCTION

The purpose of this study is to establish a basic wholesale rate which will be applicable to all wholesale customers. Accordingly, the cost allocations for this class of customer do not include estimates for special plant additions, expansion of capacity or significant use of the transmission and distribution system. The methodology is predicated on the fact that the water system is fully integrated; all sources of supply are necessary to support the integrity and reliability of the entire system, and to provide continuous and adequate service to all customers.

Economies of scale attributable to serving wholesale customers are recognized to the extent that certain costs are not incurred in serving such customers and that variation in system use is levelized by the nature of wholesale demands. On the other hand, it is also recognized that it would be discriminatory to establish wholesale rates strictly on the basis of incremental cost allocations. As a result, the wholesale rates should reasonably reflect recovery of the average cost of service, consistent with the cost recovery from each other class of service.

The cost basis for the wholesale rates is the Water Authority's 1983 Budget on which the existing rate structure

was determined. In addition, certain allocations are based on a previous "Cost Allocation and Rate Design Study" performed by this firm in 1981. The recommendations in that study were implemented in the Water Authority's recent rate increase.

ALLOCABLE 1983 BUDGET

The Water Authority's 1983 Budget represents its total cost of operations. The rates for the various classes of customer, however, are based on only that portion of the total cost of operations not covered by "non-rate" sources of revenue. In order to provide the benefit of non-rate revenues to wholesale customers, as was provided to other customers, it is necessary to reduce the 1983 Budget by those revenues. In effect, the adjustment to the total cost of operations reduces the costs which will be allocated to wholesale rates.

Schedule A sets forth the 1983 Allocable Budget. The 1983 Budget is shown in three major cost categories: Operation and Maintenance, PILOT (Payments in lieu of taxes) and Debt Service. The non-rate revenues are estimated in the amount of \$408,600 and include such items as facilities charges, rental of utility and non-utility property, service connection charges, gravel sales, recreational fees, lab fees and various miscellaneous revenues. These revenues are used to offset Operation and Maintenance costs.

In addition, the 1983 Budget includes an estimate of \$3,265,000 for investment income, of which \$83,000 is assignable directly to PILOT and the remaining \$3,182,000 to Debt Service.

As shown on Schedule A, the 1983 Budget of \$33,499,700 is reduced by \$3,673,600, producing an Allocable 1983 Budget of \$29,826,100.

GENERAL SERVICE COSTS

Before determining the costs applicable to wholesale rates, it is necessary to identify only those costs related to "General Service." In order to do so, the costs related to fire protection service must be deducted from the total 1983 allocable budget amounts.

Operation and Maintenance

Schedule B shows the group classification of operation and maintenance expenses, and the allocation of the allocable 1983 budget amounts to General Service. It is noted that the operation and maintenance expenses, in the first column, for each expense classification are in direct proportion to the respective 1983 budget relationship before the reduction for non-rate revenues.

The allocation to General Service--elimination of fire protection costs--is based on the Authority's last rate design study (Table FS-3, page 19 of that study). Since the rates now in effect are predicated on that study, it was not necessary, for the purposes of developing wholesale rates, to perform another complete cost allocation and rate design study at this time.

PILOT and Debt Service

PILOT and Debt Service costs are allocated in relation to cost responsibility with respect to utility plant. Schedule C-1 shows the allocation of PILOT and Debt Service amounts to General Service; the allocation percentages again taken from the last rate design study (Table FS-2, page 18).

The group Classification of PILOT and Debt Service (the first column of figures in Schedule C-1) were determined on Schedule C-2. The book value of utility plant at December 31, 1982, including Class I land, is grouped into the major classifications as shown on Schedule C-2. The percentage relationship of each group to the total was applied to the combined allocable 1983 budget amounts for PILOT and Debt Service.

CALCULATION OF WHOLESALE USAGE RATE

Having reduced the total cost of operations by non-rate income and fire service costs, and having identified specific cost categories, the final calculation is to calculate a unit rate for wholesale service. This calculation allocates portions of the remaining General Service costs according to the cost responsibility of wholesale service for those costs.

Schedule D sets forth the calculation of the wholesale usage rate. For the purposes of this study, the costs included as applicable to wholesale service are in the classifications of Source of Supply, Pumping, Treatment and Administrative and General. All costs related to Transmission and Distribution Mains (including distribution reservoirs and standpipes), services, meters and hydrants have not been included because no such costs, or insignificant amounts, are anticipated for recovery within the general wholesale rate. The figures for Source of Supply, Pumping and Treatment are taken from Schedule B with respect to Operation and Maintenance and Schedule C-1 with respect to PILOT and Debt Service.

Only a portion of the Administrative and General costs are included. The amount included for Operation and Maintenance is based on the ratio of Source of Supply, Pumping and Treatment costs, less purchased power costs, to the total Operation and Maintenance costs less Administrative and General costs.

The amount of Administrative and General included for PILOT and Debt Service is based on a similar weighting of wholesale related costs to total other costs.

The resultant total of \$11,937,768 is divided by the 1982 water production in order to arrive at a rate of \$674 per million gallons. Since no customer accounting and collection cost have been allocated, an estimate of \$6 per million gallons has been added as an allowance for such costs, producing a total wholesale usage rate of \$680 per million gallons.

CONCLUSION AND RECOMMENDATIONS

On the basis of the cost allocations and calculations performed in this study, and in consideration of the purpose of establishing a basic wholesale rate which would have general applicability, it is recommended that:

1. A wholesale rate of \$680 per million gallons be established for all wholesale service.
2. Any capital improvements which are necessary to serve a particular wholesale customer, such as extension of mains, expansion of capacity, pumping facilities, metering or other special system improvements, should be paid for apart from the proposed wholesale rate.

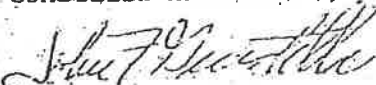
3. Since no costs for the transmission and distribution systems are included in the proposed wholesale rate, there may be circumstances which warrant allocation of such costs. In such a case, it is recommended that the usage rate not be changed, but a flat base facility rate be added to cover the additional cost allocations.

4. The proposed wholesale rate be applicable to only "outside" wholesale customers since the existing general rate structure is designed to cover costs to serve all "inside" customers, including large use customers.

This study was performed in accordance with generally acceptable cost allocation and rate design methodology. The proposed wholesale rate and recommendations are predicated on the principle that while wholesale customers should receive the benefit of economies of scale they, like other customers, should bear their fair share of the cost of providing service.

Respectfully submitted,

GUASTELLA ASSOCIATES, INC.


John F. Guastella
President

SCHEDULE A

REGIONAL WATER AUTHORITY

ALLOCABLE 1983 BUDGET

	<u>1983 Budget</u>	<u>Allocated Non-Rate Income</u>	<u>Allocable 1983 Budget</u>
OPERATION & MAINTENANCE	\$12,742,700	\$ 408,600	\$12,334,100
PILOT	3,718,000	83,000	3,635,000
DEBT SERVICE	<u>17,039,000</u>	<u>3,182,000</u>	<u>13,857,000</u>
TOTAL	<u>\$33,499,700</u>	<u>\$3,673,600</u>	<u>\$29,826,100</u>

SCHEDULE B

REGIONAL WATER AUTHORITY
 GENERAL SERVICE CLASSIFICATION
 OF OPERATION AND MAINTENANCE

<u>GROUP CLASSIFICATION</u>	<u>OPERATION AND MAINTENANCE</u>	<u>%</u>	<u>GENERAL SERVICE AMOUNT</u>
SOURCE OF SUPPLY	\$ 1,457,225	99.0	\$ 1,442,653
PUMPING EXPENSE	1,551,987	98.2	1,524,051
WATER TREATMENT	1,722,924	96.5	1,662,622
TRANSMISSION AND DISTRIBUTION	2,758,129	91.1	2,512,656
CUSTOMER ACCOUNTING	1,907,412	98.6	1,880,708
ADMINISTRATIVE AND GENERAL	<u>2,936,423</u>	96.0	<u>2,818,966</u>
TOTAL	\$12,334,100		\$11,841,656

SCHEDULE C-1

REGIONAL WATER AUTHORITY
 GENERAL SERVICE CLASSIFICATION
 OF PILOT AND DEBT SERVICE

<u>GROUP CLASSIFICATION</u>	<u>PILOT AND DEBT SERVICE</u>		<u>GENERAL SERVICE AMOUNT</u>
SOURCE OF SUPPLY	\$ 1,633,753	99.0	\$ 1,617,415
PUMPING & TREATMENT	4,526,930	95.2	4,309,637
RESERVOIRS AND STANDPIPES	1,180,710	53.0	625,776
MAINS	7,040,530	92.5	6,512,490
SERVICES	1,353,881	100.0	1,353,861
METERS	680,438	100.0	680,438
HYDRANTS	230,894	1.0	2,309
GENERAL PLANT	<u>844,864</u>	90.7	<u>766,292</u>
TOTAL	\$17,492,000		\$15,868,236

SCHEDULE C-2

REGIONAL WATER AUTHORITY

GROUP CLASSIFICATION OF
PILOT AND DEBT SERVICE

<u>GROUP CLASSIFICATION</u>	<u>UTILITY PLANT</u>		<u>PILOT AND DEBT SERVICE</u>
	<u>BOOK VALUE AT 12/31/82</u>	<u>%</u>	
	<u>AMOUNT</u>		
SOURCE OF SUPPLY	\$ 6,619,285	9.34	\$ 1,633,753
PUMPING AND TREATMENT	18,342,285	25.88	4,526,930
RESERVOIRS AND STANDPIPES	4,779,887	6.75	1,180,710
MAINS	28,527,709	40.25	7,040,530
SERVICES	5,487,036	7.74	1,353,881
METERS	2,755,655	3.89	680,438
HYDRANTS	938,843	1.32	230,894
GENERAL PLANT	3,422,349	4.83	844,864
TOTAL	\$70,873,049	100.0	\$17,492,000

AGREEMENT

THIS AGREEMENT made as of this 24th day of April, 2015 by and between the TOWN OF WALLINGFORD DEPARTMENT OF PUBLIC UTILITIES WATER DIVISION, having its principal office in the Town of Wallingford, County of New Haven, and State of Connecticut ("WALLINGFORD") and the SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY, having its principal office in the Town of New Haven, County of New Haven, and State of Connecticut ("SCCRWA"):

WITNESSETH:

WHEREAS, both parties will have an interconnection to provide water service to either utility as needed on an emergency basis; and

WHEREAS, both parties agree to sell and buy a portion of its water supply through this interconnection as needed on an emergency basis; and

WHEREAS, in order to accomplish the purpose stated above, an interconnection station, including, control facilities, pumps and related items will be required to be designed, constructed, installed, maintained and operated between both parties' existing water systems; and

WHEREAS, WALLINGFORD and SCCRWA propose to share ownership, the expenses and tasks of design, construction, installation, maintenance, replacement or repair, and operation of such interconnection station as set forth herein; and

WHEREAS, the parties hereto wish to set forth their respective rights, responsibilities and remedies.

NOW THEREFORE:

It is mutually agreed between the parties hereto that:

- 1) Emergency, as used herein, shall be defined as equipment failure, natural disasters and other events that may render one or more water system components inoperable, such that it is necessary to utilize the Interconnection to deliver water in either direction in order to supplement the affected Utility's system demand. Both parties agree to provide the other all necessary information concerning any emergency, such as anticipated duration, so as to enable the responding utility to make provisions as it deems advisable.
- 2) Project Definition and Description. The interconnection station shall consist of an interconnection station building including all related appurtenances, valves, points of connection and other facilities necessary to enable the delivery of water to and from SCCRWA and WALLINGFORD's water supply system. These facilities shall be constructed at 237 (rear) Pond Hill Road, Wallingford, Connecticut (herein after referred to as the "PROPERTY"), adjacent to WALLINGFORD's 10-inch water main on Pond Hill Road and SCCRWA's 12-inch water main on Bradley Street. All such facilities related to the interconnection are herein referred to as the "Project"
- 3) Out-of-Pocket Expenses. Costs associated with land acquisition, design, and any other costs up to the point of construction contract award will be shared by both parties at a 50/50 cost split. These costs will not include SCCRWA or WALLINGFORD staff-time or engineering consultant fees which shall be borne by each party independently. The construction costs of the Project will be shared equally with the exception of the following, and as specified in Appendix A:
 - A. SCCRWA shall own and bear 100% of the capital cost of a control valve and independent telemetry system.
 - B. WALLINGFORD shall own and bear 100% of the capital cost of the pumping equipment, generator with transfer switch, motor control center, controls, and control telemetry.
- 4) Ownership and Responsibilities. Upon completion of the Project, ownership and operation and maintenance responsibilities shall be divided as specified herein.

- A. WALLINGFORD shall own and maintain all facilities on the PROPERTY including piping and other utility lines in the street connecting to facilities in Wallingford up to and including the interconnection station.
- B. SCCRWA shall own and maintain all facilities, including piping connected to SCCRWA facilities up to the easterly street line of Bradley Street (the westerly boundary of the PROPERTY), and the control valve with associated telemetry/controls inside the Interconnection Station.
- C. WALLINGFORD will be responsible for operation and maintenance of the Project, with the exception of those items outlined in Item 3. (B.) above. On an annual basis, out-of-pocket operation and maintenance costs will be split equally and SCCRWA will reimburse WALLINGFORD for its 50% share of such costs. These costs include utility costs such as fuel, electricity, and data and grounds maintenance. WALLINGFORD will provide reasonable documentation of such expenses upon SCCRWA's request. If non-routine maintenance work is necessary, WALLINGFORD will provide SCCRWA advance notice of the estimated cost of the work for review and approval, except in the case of emergency repairs. Emergency repairs will be performed as necessary by WALLINGFORD, and the cost of such repairs shall be split equitably, as determined by mutual agreement after the emergency repairs are complete.
- 5) Future Expenses. Future capital expenditures needed for the Project, including, but not limited to, driveway and utility improvements, will be shared equally by both parties provided that future capital expenditures related to each party's 100%-owned facilities and equipment will be the responsibility of the respective owners, as outlined in Appendix A.
- 6) Schedule. SCCRWA and WALLINGFORD shall collaborate and use commercially reasonable efforts to design, bid and construct a fully-operational Project by December 31, 2015.
- 7) Operation. Upon completion of the Project, and after all necessary governmental approvals

have been received, SCCRWA and/or WALLINGFORD shall deliver water, as needed, ready for consumption of receiving utility's customers. SCCRWA and WALLINGFORD shall, following the execution of this agreement, establish an agreed procedure for the emergency use of the Interconnection. The procedure shall set forth the process whereby the utility experiencing the emergency will notify the supplying utility of its emergency use of the Interconnection. The procedure shall include terms that shall ensure the ability and right of the responding utility to interdict the emergency use of the Interconnection if it determines that this use would impair its ability to meet its system demand, which both parties agree is an implied right under the Agreement as now written.

- 8) Water Charge for Emergency Sales. The water charge will be calculated as a charge per million gallons (sales from SCCRWA to WALLINGFORD) or as a charge per 100 cubic feet (sales from WALLINGFORD to SCCRWA) of water delivered annually, unless it otherwise exceeds \$5,000, in which case it will be billed quarterly. Water sales to WALLINGFORD will be billed annually at the SCCRWA wholesale rate in effect at the time of the sale. Water sales to SCCRWA will be billed annually at the WALLINGFORD retail rate in effect at the time of the sale.
- 9) Long-Term Sale/Purchase of Water. Should a future need arise for additional supply, temporary or permanent, at a future date by either party, the parties shall negotiate in good faith to arrive at a mutually agreeable definitive agreement regarding the terms and conditions of such sales.
- 10) Permitting All out-of-pocket fees associated with necessary permits, or permit renewals, shall be shared equally between both parties. WALLINGFORD shall be responsible for obtaining/renewing permits and will invoice SCCRWA for 50% of the permit fees. SCCRWA will reimburse WALLINGFORD within thirty (30) days of said invoice. WALLINGFORD will provide reasonable documentation of such expenses upon SCCRWA's request.
- 11) Compliance with Laws. The SCCRWA and WALLINGFORD shall operate the

interconnection station in accordance with all current applicable laws and regulations.

- 12) Drinking Water Standards. The water supplied by SCCRWA and WALLINGFORD under this agreement at all times shall satisfy all standards imposed by any Federal or State agency having jurisdiction over the quality of public drinking water and applicable to the SCCRWA and/or to WALLINGFORD.
- 13) Force Majeure. Neither party shall be held liable for the failure to deliver water under this Agreement in the event of ruptured mains, labor troubles, acts of God or other failure resulting from acts beyond their control; provided, however, that each party shall make reasonable effort to prevent interruptions of service, and when such interruptions occur, shall endeavor to reestablish service with the shortest possible delay consistent with the safety of its customers and the general public.
- 14) Access. SCCRWA shall have unlimited access to the interconnection station.
- 15) Water Use Restrictions. WALLINGFORD and/or SCCRWA shall observe and enforce any water ban or other use restrictions that may be in effect for either WALLINGFORD or SCCRWA customers during any time that the interconnection is active in the area directly supplied by the interconnection station.
- 16) Water Quality Reports. Both parties shall make available the appropriate water quality reports to facilitate compliance with the Safe Drinking Water Act Regulations. These reports shall be provided upon request, and in a timely manner.
- 17) Term; Renewal Terms. This Agreement shall remain in effect for twenty (20) years from the date hereof. The term shall automatically renew for successive ten-year renewal terms unless and until SCCRWA or WALLINGFORD, prior to the commencement of a renewal term provides at least 180 days of prior written notice to the other of its election to terminate this Agreement. This Agreement may be amended or modified only by entering into an executed modification agreement.

- 18) Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns, provided that neither party shall assign this Agreement to a third party without the prior written consent of the non-assigning party, which consent shall not be unreasonable withheld, denied or conditioned..

- 19) Indemnification. To the extent permitted by law, each party (the “indemnifying party”) shall indemnify and hold harmless the other party from and against any liabilities, damages and/or other claims arising and/or resulting from the indemnifying party’s breach of this Agreement and/or any negligent acts or omissions of the indemnifying party.

- 20) Notices. Any and all notices or other communications (“Notice”) required or permitted by this Agreement or by law to be served on or given to SCCRWA or WALLINGFORD by the other Party to this Agreement, will be in writing and shall be hand delivered, sent postage prepaid, by first-class mail or sent electronically via facsimile machine, addressed as follows:

If to SCCRWA:

Vice-President – Asset Management
SCCRWA
90 Sargent Drive
New Haven, CT 06511

If to WALLINGFORD:

Mayor
Town of Wallingford
Wallingford Town Hall
45 South Main St
Wallingford, CT 06492

- 21) Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the state of Connecticut without giving effect to any choice or conflict of law provision or rule (whether of Connecticut or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Connecticut. Each Party hereto consents to the jurisdiction and venue of the federal and state courts located in Connecticut.

IN WITNESS WHEREOF, we have hereunto set our hands and seals as of the day and year first above written.

Signed and delivered in the presence of

TOWN OF WALLINGFORD

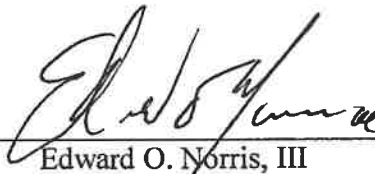
By 

William W. Dickinson, Jr.

Its: Mayor

Signed and delivered in the presence of

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY

By 

Edward O. Norris, III

Its: Vice President – Asset Management

APPENDIX A
SCCRWA-WALLINGFORD INTERCONNECTION STATION COST SHARE
BREAKDOWN

Bid Item	SCCRWA Cost Share (%)	WALLINGFORD Cost Share (%)
Site Work	50	50
Building	50	50
Utilities	50	50
Pumping Equipment	0	100
Control Valve	100	0
Electrical Service	50	50
Generator System & Equipment	0	100
Telemetry/Electrical Controls	25	75
Water Main Installation	50	50

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Emergency Interconnection Operations & Maintenance

94 Knotter Drive

Southington, Connecticut

Memorandum of Understanding

Between

Southington Water Department

and

South Central Connecticut Regional Water Authority

This Memorandum of Understanding (MOU) sets forth the terms and understanding between the Southington Water Department (SWD) and the Regional Water Authority (RWA) for operating and maintaining the emergency interconnection system located at 94 Knotter Drive in Southington, Connecticut.

Background

SWD's and RWA's water systems are interconnected on Knotter Drive near the Southington/Cheshire town line. This interconnection is sized and permitted for up to 1 million gallons per day and is designed to flow in either direction. Water can be transferred from the RWA system to the SWD via gravity, and requires pumping to transfer water from the SWD to the RWA.

Refer to the Appendix A Emergency Services Interconnection Agreement (Interconnection Agreement) between SWD and RWA signed on June 9, 2016 for additional background information

Purpose

This MOU provides a delineation of roles and responsibilities with regard to the operation and maintenance of the interconnection system.

Notification

The party in need of water shall provide notice to the other party at least three (3) business days prior to the start-up and use of the interconnection system. The notice shall include the expected flow rates and duration of operation of the interconnection. A request for water may be made with less than the required three-day notice in the event of a catastrophic occurrence resulting in the immediate need of water.

The transfer of water is contingent upon the supplying party's available water supply at the time of the request, as well as the ability to maintain compliance with Connecticut Department of

Public Health (DPH) and Connecticut Department of Energy and Environmental Protection (DEEP) regulations. If the company supplying the water imposes water use restrictions on its customers in accordance with the Drought Response Plan in its latest approved Water Supply Plan, the receiving company agrees to impose similar restrictions on its customers for as long as the interconnection is operational.

In the event that the station is to be activated in order to transfer water from one party to another, the party requesting water shall notify DPH that the system will be utilized for such purposes.

Site Access & Security

Upon arrival and departure to/from the interconnection site, the RWA and SWD primary contacts shall each be notified via verbal communication. Refer to contact information provided below.

SWD maintains ownership of the master key for access into the interconnection chamber. RWA has been issued a copy.

The interconnection chamber is secured by an alarm system with intrusion alarm notification sent to SWD. Alarm code entry is required upon arrival and departure in order to disarm and/or arm the alarm. SWD shall operate and maintain the intrusion alarm system in working condition.

In the event of a security breach, SWD is responsible for the response and/or dispatch of the Southington Police Department and will notify RWA within twelve hours of the incident.

Any changes to site access and security procedures must be reported to the other party by the party initiating the changes.

Operations

Inactive - During periods of inactivity, RWA and SWD valves located in the street shall remain in the "On" position. SWD's hand-operated butterfly valve located within the station is to remain in the "closed" position and RWA's hand-operated butterfly valve will remain in the "open" position. Only SWD and RWA will operate their respective valves.

Active - When operating to provide flow from RWA to SWD, flow through the interconnection will be controlled by the control valve in the interconnection chamber (Cla-Val). Control logic for operation of the Cla-Val is within the SWD PLC. The Cla-Val will be operated by SWD to maintain pressure within the SWD system and to minimize disruption (e.g. flow, pressure, water quality) to the RWA system.

When operating to provide flow from SWD to RWA flow through the interconnection will be controlled by temporary pumping equipment installed and operated by RWA. The temporary pumping equipment will be operated to maintain pressure within the RWA system and to minimize disruption (e.g. flow, pressure, water quality) to the SWD system.

Billing

Water taken by the SWD or by the RWA under this agreement shall be priced at the current and applicable SWD wholesale rate for water purchased by RWA from SWD, and the current RWA wholesale rate based on the most recent available cost of service study for water purchased by SWD from RWA.

The water charges will be calculated as a rate per one million gallons (sales from RWA to SWD) or as a charge per 100 cubic feet (sales from SWD to RWA), Water sales from RWA to SWD will be billed monthly at the applicable RWA wholesale rate in effect at the time of the sale. Water Sales to RWA will be billed quarterly at the SWD wholesale rate in effect at the time of the sale.

Meter Testing

Meter testing and calibration shall be conducted by SWD and RWA concurrently. RWA shall be responsible for testing and calibrating the meter for flow from RWA to SWD and SWD shall be responsible for testing and calibrating the meter for flow from SWD to RWA. Meter testing shall be conducted annually.

Water Quality

Water Quality samples will be collected by each party on a quarterly basis following flushing from the sample taps within the interconnection station and analyzed for bacteriological and physical parameters as well as free chlorine residual. RWA and SWD shall each maintain water quality data information. Water quality sample results will be provided upon request. Any non-compliant test results shall be reported immediately to the other company.

As provided in the Interconnection Agreement, water supplied by SWD and RWA shall satisfy all applicable regulatory standards. Neither RWA nor SWD are responsible for water quality beyond the point of interconnection, however the parties agree to cooperate to address water quality issues that may be created by operation of the interconnection to the extent reasonably practicable.

Reporting

SWD and RWA will each maintain their own records of the daily amount of water transferred through the interconnection and shall each provide annual reports to DEEP as may be required by the diversion permit authorizing the transfer of water. Diverted flows shall only be reported by the supplying company and each company shall report any activity that it has taken within its system (e.g. water audits, leak detection, conservation activity) that may be required by the diversion permit authorizing the transfer of water.

Duration

~~This MOU shall become effective upon signature by the authorized officials from both companies, and will remain in effect for the term of the Interconnection Agreement or until modified or terminated by either party.~~

Contact Information

Regional Water Authority

90 Sargent Drive
New Haven, Connecticut, 06511

Primary Contact:

RWA Control Room: (203) 401-2629

Secondary Contacts:

Operations Team Lead

(203) 401-2627

Capital Planning Team Lead

(203) 401-2530

Southington Water Department

605 West Queen Street
Southington, Connecticut, 06489

Primary Contact:

Assistant Superintendent

(860) 628-5593 office, (860) 638-0166 cell

Secondary Contact:

Superintendent

(860) 628-5593 office, (860) 637-7513 cell

The above contact list is to be updated and shared between parties on an as-needed basis.

William M. Casarella Date: 3/4/2021

(Partner signature)

(William M. Casarella, Southington Water Department, Superintendent)

Beth Nesteriak Date: 3-8-21

(Partner signature)

(Beth Nesteriak, Regional Water Authority, Executive VP and Chief Operating Officer)

Memo

To: Representative Policy Board
From: Office of Consumer Affairs (“OCA”)
Jeffrey M. Donofrio, Esq.
Date: September 16, 2021
Re: Authority’s Issuance Test Rate Application

I. INTRODUCTION

On July 19, 2021, the South Central Connecticut Regional Water Authority (the “Authority”) submitted an Issuance Test Rate Application (“Application”) to the Representative Policy Board (“RPB”). The Application requests an increase of the Authority’s rates in an amount sufficient to raise an additional \$7,911,000.00 in annual revenues to meet the issuance test under the Authority’s General Bond Resolution. The increase sought is 6.5% more than the revenues expected to be realized during the twelve-month period ending November 30, 2021. The requested rate increase for the average residential customer amounts to 6.3% (\$10.85 per quarter).¹ The requested rate increase, if approved by the RPB, would be effective in January 2022 and follows an overall rate increase of 6.1% to metered customers, effective in July 2019. If the RPB approves the Application, the Authority will issue up to \$51 million of Water System Revenue Bonds (“Bonds”) in January 2022 to finance the Authority’s capital improvement program (“CIP”) for the eighteen-month period ending June 30, 2023.

The CIP during the eighteen-month period covered by the Application averages expenditures of approximately \$45 million/year. Several large projects, including the improvements to the Lake Whitney Dam & Spillway, the West River WTP improvements and the Spring Street Pump Station, will be funded in part during the period covered by the Application. The financing requirement in the Application incorporates the use of approximately \$20.1 million of internally generated funds. The use of \$20.1 million of internally generated funds lowers debt service by approximately \$1.1 million.² This represents a continuation of significant progress by the Authority with respect to a significant endeavor; the Authority’s reduction of its dependence upon the issuance of debt to fund its CIP has been a regular topic of discussion amongst the RPB, the Authority and the OCA over the past 11 years. In 2010, the Authority developed both short-term and long-term plans to attack its financial weaknesses. The Authority implemented measures to reduce

¹ “Average residential customer” is defined as a customer with a 5/8” meter and 2,500 c.f of quarterly consumption.

² Additionally, the first seven months of the FY’22 CIP are being funded with internally generated funds.

both O&M spending and capital spending, as well as increase cash reserves. The Authority continues to approach the pursuit of increased operational efficiency as an ongoing endeavor. The last two issuance test rate applications have utilized a total of \$50 million of internally generated funds, lowering debt service by approximately \$3 million.

The Authority's financial performance and cash position gradually improved over the course of the 2010-2020 decade. Commencing in March 2020, the COVID-19 pandemic presented a new type of challenge for the Authority. However, through prompt and significant action, the Authority prudently scaled back its capital plan for FY'21, implemented multiple cost control measures and delayed its issuance test rate application in anticipation of adverse impacts from the pandemic. Fortunately, the Authority has not (to date) been materially impacted, financially, from the COVID-19 pandemic. In fact, the Authority's performance in FY'21 allowed it to transfer almost \$17 million to the Construction Fund and an additional \$3 million to its General Fund.

An initial reaction to the Application may be "why is the Authority seeking another rate increase if the Authority's financial performance has improved?" However, the FY'21 financial results were significantly impacted by the reduction in O&M spending at the core of the Authority's COVID-19 pandemic response plan. The reduced level of O&M spending is not sustainable. Moreover, issuance test rate applications approximately every 18 months have been and continue to be a crucial part of the Authority's plan for long-term financial viability and a reduction of the Authority's reliance upon the issuance of debt to fund its CIP. As previously mentioned, in response to the COVID-19 pandemic, the Authority delayed its issuance test rate application. The proposed rate increase is necessary due to the Authority's plan to issue approximately \$50.7 million of new debt and undertake \$3.5 million of financing through the Connecticut Drinking Water State Revolving Fund. Progress and improvement have been steady, but just as it took many years for the Authority to become highly leveraged, it will take many more years for the Authority to achieve a favorable debt ratio.

The Bonds will be issued pursuant to the Authority's General Bond Resolution. The General Bond Resolution contains a provision requiring that, at the time of the issuance of additional bonds, the Authority must meet an issuance test. In summary, the issuance test requires that (a) the Authority's revenues determined on a cash accounting basis, for any period of 12 consecutive months out of the 18 calendar months next preceding the issuance of the additional bonds, net of the Authority's estimated expenses, including debt service and PILOT payments, during the 12 month period following the issuance of the Bonds, shall be not less than 114% of the maximum aggregate amount of principal and interest becoming due in the current or any future fiscal year on outstanding Bonds, including the proposed Bonds, and (b) the Authority's revenues for such historic 12 month period, net of such estimated expenses including debt service, but excluding PILOT payments, shall be not less than 125% of the maximum aggregate principal and interest becoming due in the current or any future fiscal year on outstanding bonds, including the proposed Bonds. As noted on page 30 of the Application, FY'29 is the year that the Authority is expected to pay the maximum annual debt service (\$52.775 million) on its outstanding bonds.

In determining compliance with the issuance test, the Authority is allowed to supplement its actual revenues in the historic period to give effect to any additional revenues which the Authority estimates would have resulted had any increase in rates adopted prior to the issuance of the additional Bonds been in effect for the entire period. In addition, in determining the amount of coverage, the Authority may include in its net revenues an amount on deposit in the Authority's Rate Stabilization Fund ("RSF") up to an amount equal to 20% of the maximum aggregate principal installments and interest for the current fiscal year on outstanding bonds and the proposed Bonds. No allocation from the RSF is proposed in the Application.

The cost allocation and rate design utilized in the Application are based on the cost allocation and rate design study conducted by Raftelis Financial Consultants, Inc., dated July 8, 2021. There are no rate design changes proposed in the Application. As was the case with the prior issuance test rate application, the proposed public fire service rates in the Application are lower than the rates supported by the cost-of-service study. Because the increases over current rates in the hydrant charge (126.7%) and the inch foot charge (8.2%), respectively, would be substantial if based solely on the cost-of-service study, and in recognition of the fiscal challenges faced by the municipalities in the district, the Authority once again opted to apply the overall rate increase percentage to public fire service charges. The OCA recognizes that the overall loss in revenues caused by the aforementioned adjustments to public fire service rates is made up in the metered rates. The OCA has previously expressed concern about any revisions to the public fire service rate structure that would result in higher metered rates. The Authority's proposed methodology does not benefit select municipalities at the expense of others, provides a uniform approach and is the most equitable approach under the circumstances.

The RPB's Finance Committee deemed the Application to be complete at its August 9, 2021 meeting. The OCA issued Interrogatories to the Authority on August 9, 2021. The Authority provided its responses to the OCA's Interrogatories on August 19, 2021. A proposed resolution approving the issuance of the Bonds is part of the Application. A Public Hearing on the Application is scheduled for September 23, 2021.

II. OCA'S ANALYSIS AND RECOMMENDATION

A. Authority's Selection of Historic Period for Use in the Application

In reviewing the Application, the RPB has limited latitude. The Authority's General Bond Resolution sets forth clear requirements for calculating the revenues and expenses which are to be considered in applying the issuance test. There is some flexibility provided to the Authority in determining what twelve-month period will constitute the historic period for rate making purposes. There is also some flexibility provided in estimating operating and maintenance expenses for the forward looking 12-month period commencing on the date of the issuance of the Bonds.

The Authority has acted reasonably in the selection of the historic period and in estimating expenses for the forward-looking twelve-month period. The eighteen-month

period preceding the issuance of the Bonds on or about January 5, 2022 is July 2020 through December 2021. As set forth on page 20 of the Application, the Authority selected the twelve months from December 2020 through November 2021 as the “historic period.” Revenues for the respective time periods are estimated in the Application. Thus, the OCA issued an Interrogatory to the Authority requesting that the Authority update the historical revenues, for the period through July 31, 2021, by providing actual revenues. The Authority’s August 19, 2021 interrogatory response provides actual revenues for June and July 2021; the variance between the estimated revenues used in the Application and the actual revenues through July 2021 reflects actual revenues approximately \$1.26 million below the revenue projections in the Application and is attributable, primarily, to the timing of collection of public fire revenues.

This is the seventh consecutive Issuance Test Rate Application in which the Authority has utilized a twelve-month period that represents the *lowest* cash collections in the eighteen months preceding the issuance of the Bonds. The use of the historic period selected by the Authority is appropriate due to the continued downward trend in draft. Active and passive conservation, wetter than normal weather conditions and, perhaps, higher rates, point towards continued reduction in consumption. The OCA notes that household water usage appears to have increased during the COVID-19 pandemic. The OCA regards this fact as an anomaly. In connection with the 2019 issuance test rate application, the OCA obtained from the Authority the report, *Residential End Uses of Water*, published by the Water Research Foundation and referenced by the Authority in its 2019 application. The report, which was published in April 2016, identified a 22% decrease in average indoor household water use from 1999-2016. WRF’s 2016 report identified detailed information and data on changes in usage since its prior report in 1999. Clearly, the Authority must continue to properly weigh trends and patterns in household water usage when engaged in its planning endeavors. Customers are best served by realistic revenue projections and the OCA thus agrees with the Authority’s selection of the historic period for the Application.

B. Rate Stabilization Fund

Another judgment made by the Authority in the Application is the extent of the use of the RSF to reduce the amount of the proposed rate increase and the timing of the issuance of the Bonds. While the Application is driven by the Authority’s need to meet the issuance test in connection with the issuance of the Bonds, the actual amount of the requested increase was determined by the Authority and is not the result of the issuance test formula.

The Authority has opted not to allocate funds from the RSF to meet the issuance test. The Authority, for the reasons set forth on page 34 of the Application, deemed it imprudent to make an allocation of funds from the RSF in connection with the Application. The Authority has provided three primary reasons for not making an allocation from the RSF in connection with the Application: (1) the need to safeguard the RSF due to the financial flexibility it provides to an organization that does not generate substantial amounts of cash and has tight operating margins; (2) collection of aged receivables; and (3) maintaining the RSF at the target level (\$10 million) given the projections of future non-cash draws. The OCA recognizes that the primary purpose of the RSF is to minimize rate increases. Yet, in

the October 2019 ratings reviews, S&P and Moody's, respectively, recognized the RSF as a key attribute of the Authority's liquidity. Liquidity is a major concern and a key metric considered by the rating agencies. S&P and Moody's, respectively, praised the Authority for its "very strong financial management policies and practices" and "healthy" overall liquidity. However, Moody's made clear that the liquidity is an aggregate of multiple funds, including the RSF, identifying this as "a key strength of the rating." Similarly, S&P noted in its June 5, 2019 review that it could lower its rating of the Authority's debt "if either coverage or liquidity erode beyond management's projections to levels no longer consistent with the current rating."

The significant improvements in the Authority's financial condition over the past decade, including its liquidity, may seem to invite a discussion as to the consideration of utilization of a portion of the RSF to mitigate the proposed rate increase. However, a review of the S&P and Moody's ratings reviews puts the issue into proper perspective – the Authority remains a highly leveraged system and while finances are strong, they are not as strong as many others in the AA- credit category. Moreover, a driver for the Authority's rating is its ability to re-build its fund balances, including the RSF. For the foregoing reasons, the OCA agrees with the Authority's decision not to allocate funds from the RSF to meet the issuance test in the Application.

C. The Merits of the Application and the Revenue Increase Sought

Section 14 of the Authority's enabling legislation provides, in pertinent part, that "With the approval of the Representative Policy Board, the Authority shall establish just and equitable rates or charges for the use of the water supply system to be paid by any customer and may change such rates or charges from time to time." Section two of the Application (page 13) sets forth the history of the Authority's revenue increases since 1980. Unfortunately, since 2008, residential consumers have been faced with a variety of local, state and national economic challenges. All of us have been affected in some way by the COVID-19 pandemic. Many municipalities are adversely impacted by commercial Grand List stagnation, delayed commercial development due to COVID-19 impacts, the loss of revenues from the state, and the continued shift of expenses from the state to municipalities. In addition, municipal property tax revaluations this year and next will likely reflect the sharp increase in residential property values during the COVID-19 pandemic. As a result, residential municipal real property tax burdens are likely to increase in many communities in the district. Although CARES Act and ARPA funds may help municipalities that experienced revenue shortfalls over the past 18 months, the permissible use of such funds is not yet clear. In sum, any rate increase adversely impacts consumers and must be closely scrutinized.

In order for the OCA to recommend approval of the Application, the OCA must be satisfied that the Authority has taken appropriate measures to mitigate its needs for additional revenue, that the increase sought is consistent with the Authority's strategic plan and that there is no prudent, feasible alternative to the increase sought. In past memoranda to the RPB concerning Issuance Test Rate Applications, the OCA has provided detailed analyses

of the Authority's financial condition, history and challenges. The OCA will not repeat its prior analysis here; rather, the OCA will focus on the most pertinent considerations relative to the Application.

1. The Capital Improvement Program is the Primary Driver for the Application

The Application is required to enable the Authority to meet the issuance test for the Bonds. The primary driver of the increased revenue requirements for the Authority continues to be its ongoing capital program. Simply stated, the need to finance the annual capital budget with debt and the requirement to meet the issuance test to do so causes rate increases. As reflected on page 22 of the Application, without the Bonds and at the present rates, the Authority would incur a shortfall (under the Maintenance Test) of approximately \$4.9 million in FY2023; with the Bonds and at the present rates, the shortfall would be approximately \$7.7 million.

Over the past 11 years, the Authority has taken significant steps to (1) reduce and make more efficient its CIP; (2) reduce long-term reliance upon the issuance of debt to fund its CIP by increasing the debt service coverage and incorporating depreciation expense into the calculation of net revenues; (3) improve its operating efficiency; (4) implementing business case analyses to complement the project vetting process; and (5) consistently striving to improve its project approach and project management processes. The OCA recollects that at the onset of its quest, the Authority engaged Louis Berger f/k/a Leidos f/k/a SAIC f/k/a R.W. Beck ("Berger") to aid it in increasing the efficiency of its CIP. Berger authored a comprehensive report containing a wide variety of recommendations. The Authority successfully implemented many of the recommendations made by Berger. The Authority subsequently engaged Woolpert, Inc. (in late 2011) to perform an Operating Efficiency and Competitiveness Assessment. Woolpert made seventy-six specific recommendations for improvements and the Authority implemented many of the recommendations. In 2017, the Authority engaged GHD Inc. to perform an evaluation of the Authority's future capital budgets. Unlike the Berger analysis, which focused on past expenditures, GHD was charged with reviewing prospective capital budgets. The Authority's current five-year CIP generally reflects the recommendations from GHD.

In 2012, the Authority engaged Woodcock & Associates, Inc. ("Woodcock") to perform a cost-of-service analysis and water rate study. The 2012 rate study was the first cost of service analysis performed for the Authority since 2005. The Authority obtained an updated cost of service study from Woodcock in 2017. Following the 2017 cost of service study, the RPB and the Authority engaged in productive and informative discussions regarding rate trends and structures. In connection with the Application, the Authority obtained a cost-of-service study from Raftelis, dated July 8, 2021. The RPB and the Authority have worked together in a collaborative and productive manner to identify and achieve efficiencies without sacrificing the quality of the Authority's services. Transparency and the timely provision of comprehensive data to the RPB and OCA have become the norm for the Authority.

The Authority's mission is "To provide customers with high quality water and services at a reasonable cost while promoting the preservation of watershed land and aquifers." The Authority's Strategic Plan, which is regularly fine-tuned, sets forth a plan to improve customer satisfaction while improving the Authority's financial viability. For the Authority to achieve its stated goals and fulfill its mission, good asset management is mandatory. The Authority's strong financial management and strategic planning in recent years has been recognized by S&P and Moody's in their respective 2019 ratings reviews. More importantly, the Authority's performance throughout the COVID-19 pandemic highlights the Authority's ability to perform at a high level despite very challenging conditions. While the protracted weakness in the local economy, usage trends, and reduced consumption continue to represent significant challenges for the Authority, at the core of the Application and the magnitude of the rate increase sought are two overriding themes: (1) the Authority is still very dependent upon the issuance of debt to fund its capital improvement program, and (2) the cumulative effect of relying upon debt to fund the capital improvement program for 30+ years resulted in a highly leveraged Authority. The Authority has, over the past 11 years, focused on mitigating the effects of the foregoing and as a result, the Authority is better positioned for long-term viability. The progress made is undeniable and remarkable; yet the need to stay the course by continuing to execute the long-term plan has not diminished.

2. The Application is Consistent with the Authority's Mission and Strategic Plans

The operating and capital efficiencies achieved by the Authority since 2009 are well documented. Despite the significant progress, the RPB must continue to take note of the fact that the Authority's long-term debt is still an albatross. The OCA appreciates that both the Authority and RPB recognize the urgency of breaking the cycle of relying upon debt to fund the Authority's CIP, not only to achieve a ratio that is satisfactory to bond rating agencies (*i.e.*, 40% - 60%), but because the long-term viability of the Authority is enhanced by the continued reduction of its debt. The Authority clearly recognizes the need to increase top line revenue growth through non-core pursuits while protecting consumers from undue risk. The OCA recognizes that identifying appropriate, low risk non-core investment opportunities is a significant challenge. The Authority has improved its approach to evaluating non-core opportunities. The Authority has also broadened and sharpened its focus on asset management, which will continue to assist the Authority in realizing additional efficiencies.

In August 2010, the five-member Authority approved amendments to the General Bond Resolution, authorizing an increase to the debt reserve coverage from 110% to 112% and recognition of a depreciation expense of no less than \$1,000,000 but no greater than 10% of book depreciation expense in the definition of net revenues, effective with the subsequent rate application. The 2011 Issuance Test Rate Application incorporated the foregoing amendments to the General Bond Resolution (*i.e.*, debt service coverage ratio of 112% and depreciation of \$1,000,000 in the Issuance test). In November 2012, the five-member Authority approved an amendment to the General Bond Resolution increasing the debt service coverage to 114% effective with the November 2012 Issuance Test Rate Application. The current Application continues the 114% coverage and includes an

additional \$1 million depreciation expense (for a total of \$7.5 million). The foregoing initiatives are consistent with the Authority's long-term plan. To be clear: the 114% debt service coverage ratio and the incorporation of a depreciation expense in the revenue requirement calculation for the Application add to the size of the rate increase but are necessary to grow cash reserves and reduce the Authority's dependence upon the issuance of new debt. The foregoing have been significant tools utilized by the Authority over the past several Issuance Test Rate Applications to increase internally generated cash, which decreases reliance upon the issuance of new debt to fund the Authority's CIP.

The most recent ratings reports from S&P and Moody's, respectively, reveals an analysis consistent with the foregoing. Specifically, in October 2019, S&P noted in its rating review report that its 'AA-' long-term rating "reflects our opinion of SCCRWA's very strong enterprise-and financial-risk profiles." S&P took note of the Authority's "Strong and comprehensive operational management practices and policies," and "Very strong financial management policies and practices." However, despite recognizing that the Authority's liquidity "has consistently strengthened recently," S&P also noted that "finances are strong but weaker than many other 'AA-' category credits" and further noted that a ratings downgrade is possible if the Authority's debt service coverage or liquidity erodes beyond management's projections to levels not consistent with the current rating. Likewise, Moody's, in its October 2019 ratings review, expressed similar opinions. The Authority's financial plan is well conceived, has thus far been well executed and it is, of course, critical that the Authority continue to focus on increasing the efficiency of the CIP and O&M functions, relentlessly pursuing reasonable non-core revenue opportunities, and executing its plan to increase internally generated funds.

The OCA notes that per the Application, the rate charged to the Authority's wholesale customers will increase by approximately 12.1%. The July 2021 cost of service study by Raftelis includes a recommended methodology for calculating updated wholesale rates. Specifically, Raftelis notes that the most common methodology for determining wholesale water rates is the Utility Approach. As explained by Raftelis, the Utility Approach is applicable to the Authority's sales to wholesale customers because the Authority "is providing service to a non-owner customer and is entitled to earn a fair rate of return based on the value of the assets being used to provide this service. The return capital component not only considers the cost of borrowing, but it also includes a premium to reflect the risk associated with owning these assets, which is being absorbed by the Authority." The methodology recommended by Raftelis should be utilized by the Authority as a basis to determine wholesale rates when the Authority engages in contract negotiations with its wholesale customers.

The OCA, in its memoranda to the RPB concerning previous issuance test rate applications, has emphasized the need to mitigate the growth of payroll and benefit costs. As reflected on page 26 of the Application, budgeted payroll, and employee benefits costs for FY'23 represent approximately 58% of the Authority's O&M expenses. This represents successful cost management by the Authority in these areas. The Authority has been scrutinizing its operations for the past decade, striving to identify weaknesses, adopt best practices and change the way it does business. The OCA is confident that the Authority will

continue to focus on improving operational efficiency (including a strong focus on asset management) and further decreasing its dependence upon the issuance of debt. The OCA recognizes that the employees of the Authority are hard-working, dedicated people who are crucial to the future success of the Authority; the OCA also recognizes that discussions about wages, employee benefits and health benefits tend to be particularly challenging. However, the Authority's employees and customers are best served over the long-term by a financially strong Authority. The OCA appreciates the work done to date in this regard and trusts that the Authority will continue to investigate and pursue cost savings opportunities on all fronts – including outside services (largest O&M expenditure after payroll and benefits at almost 6% of the O&M budget).

III. CONCLUSION

The OCA recommends approval of the Application. The Application reflects continued strong asset management in the face of declining consumption. The Application reflects significant tangible benefits realized from the Authority's implementation and successful execution of its 2010 plan. The Authority's use of \$20.1 million of internally generated funds results in a material reduction to the Authority's dependence upon the issuance of debt to fund its capital program. The OCA is, of course, concerned about the cumulative effect of rate increases upon all consumers. The local economy remained sluggish prior to the COVID-19 pandemic; the full effect of the pandemic remains difficult to gauge. In order for the Authority to successfully execute its mission of providing high quality water and services at reasonable prices over the long-term, it is critical that the Authority implement an appropriate CIP, maintain adequate O&M programs, and further reduce its dependence upon the issuance of debt. The Authority's long-term plan contemplates an issuance test rate application every 18 months; if approved, the Application will result in the first rate increase in 30 months. The Authority's plan is working; the OCA does not need S&P and Moody's to tell us what we already know but rating agency support is, of course, noteworthy, and helpful. The Authority's financial performance in the last seven fiscal years demonstrates the Authority's successful execution of its plan. The OCA considers the Application as a necessary tool for the continued successful execution of the Authority's long-term plan. Thus, the OCA recommends approval of the Application by the RPB.

Respectfully submitted
OFFICE OF CONSUMER AFFAIRS

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