

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

2023 Rate Application

Exhibits

Exhibit Number/Letter	Exhibit Name
A	2023 Rate Application submitted to RPB on January 3, 2023 (“Application”).
B	OCA’s First Set of Interrogatories January 26, 2023.
C	Notice of Public Hearing published on January 28, 2023 in the CT Post and the New Haven Register.
D	Management’s responses dated February 1, 2023 to OCA’s First Set of Interrogatories dated January 26, 2023.
E	Management’s second response dated February 14, 2023 to OCA’s First Set of Interrogatories dated January 26, 2023.
F	OCA Memorandum dated February 16, 2023 recommending approval of the Application.
G	Application Presentation – February 23, 2023

EXHIBIT A



ISSUANCE RATE TEST APPLICATION

Submitted by the
South Central Regional Water Authority
to
the Representative Policy Board
of the South Central Connecticut Regional Water District
Date:
January 9, 2023

TABLE OF CONTENTS

	<u>TAB</u>
<u>Preface:</u> <i>Rules of Practice</i> of the Representative Policy Board (“RPB”)	Page 6
<u>Section One:</u> Introduction	Introduction
1. Nature of the application and its key elements	<u>Page</u>
a. Statutory reference	7
b. <i>General Bond Resolution</i>	7
c. Proposed debt	9
d. Proposed revenue increase	10
e. Rate Stabilization Fund	10
f. Unusual circumstances	11
g. Facts upon which the RPB may rely	12
<u>Section Two:</u> Perspective	Perspective
	<u>Page</u>
1. History of revenue increases	13
2. Rate structure.....	15
3. Maintenance test.....	16
4. Historic period of twelve months	19
5. Anticipated cash collections if there is no rate increase	20
6. Capital expenditures	22
<u>Section Three:</u> Issuance test and the use of bond proceeds	Issuance Test
1. Issuance test	<u>Page</u>
a. Required revenue from rates	24
b. Operating and maintenance expense	25
c. Debt service.....	26
d. Payments-in-Lieu-of-Taxes (“PILOT”)	31
e. Rationale and methodology to determine revenue requirements	33
f. Assumptions	
2. Use of bond proceeds	<u>Page</u>
a. Five-year plan of capital improvements	36
b. Financial planning model	37
c. Strategic plan.....	37
3. Consequences, should the RPB reject this application.....	38

TABLE OF CONTENTS (continued)

<u>Section Four: Debt</u>	Debt
	<u>Page</u>
1. History.....	39
2. Narrative description.....	39
<u>Section Five: Proposed rates and fees</u>	Rates and fees
	<u>Page</u>
1. Summary Comparison: existing to proposed rates and fees.....	42
2. Detailed presentation of rates and charges.....	43
<u>Section Six: Action requested of the Representative Policy Board</u>	Action
	<u>Page</u>
1. Notice of public hearing; filing of rates and charges.....	63
2. Resolutions.....	74
<u>Section Seven: Index</u>	78

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 amendment 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..."

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 a portion 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 Bond 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 schedule 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 Subaccount 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 \$35.8 million, inclusive of the anticipated premium. The proposed new debt includes approximately \$16.3 million expected to be issued as CT DWSRF loans. The \$35.8 million does not include approximately \$1.5 million of Connecticut Drinking Water State Revolving Fund (“CT DWSRF”) loans expected to be closed prior to July 2023.

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 3% 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 DPH, the Department of Energy and Environmental Protection (DEEP) and the Office of the State Treasurer administer the program. 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 on or about July 2023 and to cover the debt service on new CT DWSRF loans, 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 and CT DWSRF loans.

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 the 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)
- Treatment
(e.g., improvements to water treatment facilities_

- Transmission & Pumping
(e.g., pipe, transmission mains, cleaning & lining, improvements to pumping facilities)
- General Plant
(e.g., information systems; equipment)

If approved, the proposed revenue increase will allow the Authority to finance its capital program, from approximately July 2023 (in fiscal 2024) through December 2024 (in fiscal 2025), 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 of above historic revenues..."

d. Proposed revenue increase

In this application (see the issuance test on page 24), the Authority seeks approval to raise an additional \$6.970 million in annual revenue over its base revenue, i.e., revenue for the twelve-month period ended June 2023, known as the "historical" period, which is an overall increase of 5.3%. As explained in detail in the "Rates and fees" tab, the Authority's average residential customer would experience a rate increase of approximately, \$3.26 per month, or 11 cents per day, or 5.5% and for a typical residential customer \$2.47 per month, or 8 cents a day, or 5.5%, 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 the 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 31 -33) 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. In addition, the Authority seeks to safeguard the RSF because it is a valuable and finite financial resource. Page 24 presents the issuance test for the proposed financing, anticipated to occur on or about July 2023. Page 18 of this application provides the projected maintenance test for fiscal years 2023 and 2024 assuming the revenue increase proposed in this application.

For background to its decision regarding the 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 saving in debt service expense to allow the fund's creation. In order to preserve the RSF, which was severely depleted after two consecutive years (fiscal 2009 and fiscal 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. From fiscal 2011 through fiscal 2015, the Authority has focused on restoration of our depleted reserves and subsequently to, at least, maintaining reserves at targeted levels. The target for the RSF is \$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 is 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 ending 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 fiscal 2008 balance. RWA was able to begin replenishing the fund in fiscal 2011, fiscal 2012, and fiscal 2013. These contributions have brought the fund balance to the established target of \$10 million. At the end of FY 2022, the RSF was at the target level of \$10 million. While "non-cash" draws are within our ten-year model forecast, it is expected that there will be sufficient excess cash at year-end to retain the fund balance at the \$10 million target.

Following the fiscal 2022 year-end disposition, the General Fund was at \$11.750 million and during the eighteen months, that this application covers this fund is expected to be between the current level and its \$10 million target. Since the General Fund can be used for any lawful purpose, keeping the funds a little above its target provides for flexibility and helps to ensure that the fund will not dip below its targeted level. Despite the anomaly due to COVID-19, the RWA has continued to experience a declining trend in draft, averaging an approximate 1% reduction per year since 1999. In a June 2018 publication from the United States Geological Survey, declining per capita usage trends through 2015 were reported. Their analysis for the period 2000 through 2020 is expected to be completed in early 2023. Increasing concerns regarding global water scarcity can translate into increased water efficiency and conservation.

Earlier reports on water consumption are still pertinent. 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. Appliances that are more efficient 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; 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 by 35% or more, to below 40 gallons per capita 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 January 2022, in conjunction with the Authority's issuance of its Water System Revenue Bonds, Thirty-sixth 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>
5.3	July 2023
6.2	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-five increases in water revenue over the past approximately forty-two years, an increase over the "historical" period in excess of every year and on-half on average. As a result of this current rate application, the average residential customer would experience a rate increase of approximately \$3.26 per month, 11 cents per day, or 5.5% and for the typical customer \$2.47 per month, 8 cents per day, or 5.5%.

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 revenues 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
Deficient check charges
Forestry
Taps
Recreation

"Other operating revenue – proprietary"

Lab testing for outside parties
Property rentals
Garage repair program
PipeSafe Offerings (water service line protection, sewer/septic line protection, and plumbing protection plans)

- 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 continues to actively pursue these additional avenues to mitigate rate increases and is executing against this initiative.

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 charges also varies by meter size. Approximately 6.4% 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)
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) years, over the subsequent three (3) year period, the Authority will assess the customer a ten (10) percent increase in the first year of the three (3) year period, a five (5) percent increase in the second year, and a five (5) percent increase in the third and final year of the three-year period. These increases will be based on the then current rates. At the end of this subsequent three (3) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate the customer 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.

**Applicability of the Economic Development Rate to be 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 2023 Projected	<i>Pro Forma Year*</i>	Fiscal Year 2024 Projected
Operating and maintenance expenses	\$63,492	\$69,648	\$69,388
PILOT	8,706	9,150	9,150
Depreciation expense	7,500	9,000	8,875
Debt service payments @ 114%	51,628	51,928	51,928
Proposed debt payments @ 114%	-	1,888	1,782
Required revenue	\$131,326	\$141,614	\$141,123

*12-month period beginning July 1, 2023

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 July 2023, which is shown on page 24. For the current fiscal year (fiscal 2023), the Authority has projected the maintenance test using projections based on actuals through November 2022 and projections for the remainder of the fiscal year. The fiscal year in which the rates will become effective are based on fiscal 2023 projections adjusted for known and projected changes, together with current and projected debt service. The fiscal 2024 projection is also updated for additional depreciation associated with new rates becoming effective. The fiscal 2023 projection reflects additional debt service associated with CT DWSRF financing later this fiscal year.

The debt service shown above includes debt service in the *Pro Forma Year* and the approaching fiscal year (beginning June 1 2023), assuming issuance of the proposed debt. Operating and maintenance expenses for the *Pro Forma Year* include projected amounts from July 2023 through June 2024, that are based on projections for the current fiscal year and the pro-forma year, the fiscal 2024 projections are based on fiscal 2023 projections adjusted for known and anticipated variances. The *Pro Forma Year* includes inflation factors in accordance with the May 2022 Congressional Budget Office update, other source information (e.g., prior pension and other projections from the Authority’s actuary), and other known and anticipated changes (e.g., technology support fees, electric service pricing, full-year impact of fiscal 2023 changes). For more detail regarding the assumptions underlying the figures presented on this page, please refer to pages 24 to 28.

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

	FY 2023 Projected revenues without rate increase	Projected revenues <i>Pro Forma Year</i> (7/1/23 to 6/30/24)	FY 2024 Projected revenues
Water revenue collected:			
<u>Revenue class:</u>			
Residential	\$ 86,625	\$ 85,489	\$ 85,514
Commercial	19,205	18,953	18,956
Industrial	2,278	2,248	2,249
Public authority	3,572	3,462	3,526
Seasonal	495	488	488
Total by class	112,175	110,640	110,733
<u>Fire service revenue:</u>			
Private	3,024	3,024	3,024
Public	9,041	9,041	9,041
Total fire service	12,065	12,065	12,065
Wholesale revenue	1,112	1,111	1,090
Subtotal water revenue	125,353	123,816	123,888
Miscellaneous & Facility charges	1,259	1,259	1,259
Other revenue	5,587	6,634	6,634
Total revenue	\$ 132,199	\$ 131,709	\$ 131,781

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

	Fiscal Year 2023	Fiscal Year 2024
Water sales revenue	\$ 125,353	\$ 129,545
Non-water revenue	6,846	7,924
From rate stabilization fund	-	-
BABs subsidy	657	657
Investment income	2,600	3,079
	<u>135,456</u>	<u>141,205</u>
Operating and maintenance expenses	63,492	69,388
Depreciation Expense	7,500	8,875
PILOT	8,706	9,150
	<u>79,698</u>	<u>87,413</u>
Net revenue available for debt service (A)	<u>\$ 55,758</u>	<u>\$ 53,792</u>
Debt service payments	\$ 45,288	\$ 45,551
Payments on proposed bonds	-	1,563
Total debt payments (C)	<u>\$ 45,288</u>	<u>\$ 47,114</u>
Total debt payments x 114% (B)	<u>\$ 51,628</u>	<u>\$ 53,710</u>
Maintenance test overage (A-B)	<u>\$ 4,130</u>	<u>\$ 82</u>
Coverage (A/C)	<u>123%</u>	<u>114%</u>
Required coverage	<u>114%</u>	<u>114%</u>

Note: The maintenance tests, above, for fiscal years 2023 and 2024 illustrate anticipated coverage of 123% for fiscal 2023 and 114% for fiscal 2024, assuming that the RPB approves the revenue increase and the bonds proposed in this application.

In addition, the increase in water sales revenue from fiscal 2023 reflects assumptions of declining billed consumption and implementation of the proposed rate increase effective on or about July 2023 (fiscal 2024).

The RPB’s Rules of Practice require the following: “...a statement identifying the historic twelve consecutive month 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
Section 619 A(1) of General Bond Resolution
 (\$000 Omitted)

<u>Twelve month period</u>	<u>Net water sales collections</u>	<u>Non-water sales</u>	<u>Interest income</u>	<u>BABs Subsidy</u>	<u>Total collections</u>	
Jan 22 - Dec 22	\$ 133,439	\$ 6,971	\$ 1,380	\$ 657	\$ 142,447	estimated
Feb 22 - Jan 23	\$ 133,177	\$ 6,965	\$ 1,644	\$ 657	\$ 142,443	estimated
Mar 22 - Feb 23	\$ 127,421	\$ 6,995	\$ 1,895	\$ 657	\$ 136,968	estimated
Apr 22 - Mar 23	\$ 126,049	\$ 7,131	\$ 2,117	\$ 657	\$ 135,954	estimated
May 22 - Apr 23	\$ 125,876	\$ 7,257	\$ 2,368	\$ 657	\$ 136,158	estimated
Jun 22 - May 23	\$ 125,353	\$ 6,846	\$ 2,600	\$ 657	\$ 135,456	estimated
Jul 22 - Jun 23 (1)	\$ 125,051	\$ 6,996	\$ 2,744	\$ 657	\$ 135,448	estimated

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

Rationale: The eighteen months preceding the issuance of bonds on or about July 2023 are January 2022 through June of 2023. The Authority selected the twelve months from July 2022 through June 2023 as the “historic period” because these twelve months 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 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	\$ 125,353	\$ 125,353	\$ 125,353	\$ 125,353
Non-water revenue	6,846	6,846	6,846	6,846
BABs subsidy	657	657	657	657
Investment income	2,600	2,600	2,600	2,600
	<u>135,456</u>	<u>135,456</u>	<u>135,456</u>	<u>135,456</u>
Operating and maintenance expenses (see page 25 for detail)	63,492	63,492	63,492	63,492
Depreciation Expense	7,500	-	7,500	-
PILOT (see page 31 for detail)	8,706	8,706	8,706	8,706
Debt service deposits		46,124		46,124
Proposed bonds deposits		-		-
	<u>79,698</u>	<u>118,322</u>	<u>79,698</u>	<u>118,322</u>
Net	55,758	17,134	55,758	17,134
Debt service payments x 1.14	51,628		51,628	
Proposed bonds payments x 1.14	-		-	
Maintenance test (shortfall)	<u>\$ 4,130</u>		<u>\$ 4,130</u>	
Cash flow (shortfall)		<u>\$ 17,134</u>		<u>\$ 17,134</u>

Note: The schedule shown above demonstrates that the Authority would not experience a shortfall in the maintenance test for fiscal 2023, ending May 31, 2023, assuming present rates and no issuance of new bonds in the first case and would not have a shortfall at present rates and issuance of new debt in the second case, as new bonds are not being issued in fiscal 2023. Fiscal 2023 debt service reflects additional CT DWSRF debt anticipated prior to the end of the fiscal year.

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.

Calculation of shortfall in revenue in FY 2024 if no rate action is taken

Fiscal Year 2024 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	\$ 123,888	\$ 123,888	\$ 123,888	\$ 123,888
Non-water revenue	7,893	7,893	7,893	7,893
BABs subsidy	657	657	657	657
Investment income	3,079	3,079	3,079	3,079
	<u>135,517</u>	<u>135,517</u>	<u>135,517</u>	<u>135,517</u>
Operating and maintenance expenses (see page 25 for detail)	69,388	69,388	69,388	69,388
Depreciation Expense	7,500	-	7,500	-
PILOT (see page 31 for detail)	9,150	9,150	9,150	9,150
Debt service deposits		46,223		46,223
Proposed bonds deposits		-		2,213
	<u>86,038</u>	<u>124,761</u>	<u>86,038</u>	<u>126,974</u>
Net	49,479	10,756	49,479	8,543
Debt service payments x 1.14	51,928		51,928	
Proposed bonds payments x 1.14	-		1,782	
Maintenance test (shortfall)	<u>\$ (2,449)</u>		<u>\$ (4,231)</u>	
Cash flow (shortfall)		<u>\$ 10,756</u>		<u>\$ 8,543</u>

Note: The schedule shown above demonstrates that the Authority would experience a shortfall of approximately \$2.449 million and \$4.231 million in the maintenance test for FY 2024, ending May 31, 2024, assuming present rates and no issuance of new debt in the first case and present rates and the 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 completely 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>
2020	\$ 31,614	\$ 26,001	82	\$1,092
2021	\$ 19,281	\$ 18,550	96	\$753
2022	\$ 30,792	\$ 29,581	96	\$1,096

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

- i) Through November 2022, fiscal year 2023, the Authority has expended approximately \$14.2 million representing 26% of the capital budget for the entire fiscal year and 69% of the year-to-date budget, excluding contingency, state and redevelopment, and capital projects funded by the growth fund. The fiscal year 2023 budget includes carry-overs from the preceding fiscal year. Management is projecting to meet or exceed the 96% capital expenditure target that excludes contingency/reserves, state and redevelopment, and growth fund projects. However, meeting the 96% target is dependent upon Authority board approval to transfer monies into reserves, due to supply chain and other factors outside the Authority’s control.

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 25 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 July 2023.

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 5% and 3% for CT DWSRF financing. CT DWSRF financing in this rate application is for a period of 20 years and the additional CT DWSRF financing anticipated before the end of this fiscal year is 15 years, due to the useful life of the assets. 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). If the interest rate (and resulting debt service) falls between two levels reflected on page 30, 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 applications.

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)	\$ 69,648	
PILOT (see page 31 for detail)	9,150	
Debt Service @ 114% (see page 29 for detail)	51,946	
Payments on proposed bonds @ 114% (see pages 27 & 28 for detail)	2,674	
Depreciation	9,000	
Revenue requirements	142,418	
Reduction for subsidy received in twelve month period	(657)	
Reduction for historical interest income received in twelve month period (see page 19)	(2,744)	
Minimum amount to be raised from water revenue and non-water revenue	139,017	(A)
Historical revenues for period of twelve consecutive months (see page 19)		
Water revenue	\$ 125,051	
Non-water revenue	6,996	
	132,047	(B)
Minimal additional revenue required (A) - (B)	\$ 6,970	
Minimal additional revenue resources		
Rate stabilization fund	\$ -	
Increase rates and charges	6,970	(C)
	\$ 6,970	
Minimal additional revenue required as a percentage (C) / (B)		<u>5.3%</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 July 2023. 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 7/1/2023 - by line (\$000 Omitted)

	Fiscal Year 2023 Budget	Fiscal Year 2024 Budget	Projection 7/1/23 to 5/31/24	Projection 6/1/24 to 6/30/24	<i>Pro Forma</i> Year 7/1/23 to 6/30/24
Payroll	\$ 24,530	\$ 26,088	\$ 23,914	\$ 2,305	\$ 26,219
Employee benefits	10,426	12,526	11,482	1,092	12,574
General and administrative	1,541	1,580	1,448	135	1,583
Transportation	854	875	802	75	877
Tools and stores	308	316	290	27	317
Utilities and fuels	1,506	1,642	1,505	140	1,645
Material from inventory	302	310	284	26	311
Administrative building space	1,033	1,126	1,032	96	1,128
Central lab/water quality	441	452	414	39	453
Environmental affairs	100	103	94	9	103
Pump power purchased	2,939	3,820	3,502	326	3,827
Chemicals	2,695	2,762	2,532	236	2,767
Road repairs	299	306	281	26	307
Postage	474	486	446	41	487
Printing and forms	71	73	67	6	73
Training & continuing education	337	370	339	32	371
Business Improvement	346	355	325	30	356
Info. systems maintenance fees	2,696	3,327	3,050	307	3,357
Collection expense	1,702	1,745	1,600	149	1,748
Public/customer information	417	427	391	36	428
Outside services	3,935	4,043	3,706	345	4,051
Insurance/Worker's Comp./Damages	1,857	1,903	1,744	162	1,907
Authority fees	164	168	154	14	168
Consumer counsel	60	62	57	5	62
RPB Fees and expenses	169	173	159	15	173
Organizational dues	108	111	102	10	111
Donations	36	37	34	3	37
Maintenance and repairs	3,872	3,969	3,638	338	3,977
Regulatory Asset Amortization	274	233	214	19	233
Totals	\$ 63,492	\$ 69,388	\$ 63,606	\$ 6,043	\$ 69,648

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 fiscal 2023 projections to arrive at the operating and maintenance expense for the twelve months beginning July 2023 and for the approaching fiscal year 2024.

1c. Debt service

The following pages 27 to 30 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 5% and the CT DWSRF financing is at 3%. Asterisked is the Authority's fiscal 2029, which has the maximum debt service used in the issuance test.

Page 29, following the schedule described above, provides details concerning the calculation of maximum annual debt service for purposes of the issuance test.

Page 30, presents a sensitivity analysis, which projects debt service for the proposed bonds at yields in increments of 25 basis points, or .0025. ("Yield" measures the overall cost to the Authority of borrowing money through the issuance of debt.

The application includes pre-July 2023 CT DWSRF financing of \$1.5 million. This \$1.5 million includes financing associated with the System-Wide Radio Telemetry Unit (RTU) Upgrade. See below regarding the timing of additional CT DWSRF financing.

Existing debt includes RWA water system bonds and twelve CT DWSRF. In addition, page 27 reflects financing for additional CT DWSRF loans expected to close prior to July 2023.

This rate application assumes that, prior to July 2023, RWA is successful in securing the CT DWSRF financing for the one project mentioned above and reimbursement for prior expenditures and it also assumes financing and/or reimbursement of two additional projects is available before or within the eighteen month period covered by this application. Such reimbursement proceeds are assumed 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 November - May 2023</i>	<i>Aggregate Debt Payments</i>
2023	\$ 43,359,284	\$ 1,876,989	\$ 45,236,273	\$ 51,309	\$ 45,287,582
2024	43,528,923	1,898,560	45,427,483	123,628	45,551,110
2025	43,528,855	1,898,560	45,427,415	123,628	45,551,042
2026	43,529,294	1,898,560	45,427,854	123,628	45,551,482
2027	43,528,048	1,898,560	45,426,608	123,628	45,550,235
2028	43,526,347	1,898,560	45,424,907	123,628	45,548,534
2029	43,544,721	1,898,560	45,443,281	123,628	45,566,909
2030	43,524,787	1,898,560	45,423,347	123,628	45,546,974
2031	43,527,529	1,898,560	45,426,089	123,628	45,549,716
2032	43,527,968	1,898,560	45,426,528	123,628	45,550,156
2033	43,525,663	1,898,560	45,424,223	123,628	45,547,850
2034	43,526,536	1,898,560	45,425,096	123,628	45,548,724
2035	30,730,432	1,898,560	32,628,992	123,628	32,752,619
2036	30,673,474	1,898,560	32,572,034	123,628	32,695,661
2037	30,820,006	1,821,488	32,641,494	123,628	32,765,122
2038	31,178,744	1,573,936	32,752,680	82,418	32,835,098
2039	29,538,410	808,188	30,346,598		30,346,598
2040	16,521,410	442,237	16,963,647		16,963,647
2041	14,255,604	398,281	14,653,885		14,653,885
2042	11,650,030	83,305	11,733,335		11,733,335
2043	9,156,510		9,156,510		9,156,510
2044	9,167,514		9,167,514		9,167,514
2045	7,403,137		7,403,137		7,403,137
2046	5,604,125		5,604,125		5,604,125
2047	4,669,850		4,669,850		4,669,850
2048	4,671,400		4,671,400		4,671,400
2049	4,216,350		4,216,350		4,216,350
2050	4,219,875		4,219,875		4,219,875
2051	1,783,600		1,783,600		1,783,600
2052					
2053					
2054					
	\$ 768,438,425	\$ 31,685,704	\$ 800,124,129	\$ 1,864,513.15	\$ 801,988,642

Note: Amounts may not total due to rounding.

January 9, 2023: Issuance test rate application

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

Fiscal Year	RWA		5.000%				RWA		3.000%				RWA	
	Total Aggregate	Debt Payments	Proposed Bonds				Total Aggregate	Debt Payments	Proposed DWSRF				Total Aggregate	Debt Payments
			Coupon	Principal	Interest	Total			Coupon	Principal	Interest	Total		
2023	\$ 45,287,582		\$ -	\$ -	\$ -	\$ -	\$ 45,287,582		\$ -	\$ -	\$ -	\$ -	\$ 45,287,582	
2024	45,551,110				625,674	625,674	46,176,784	3.000%	518,539		418,000	936,539	47,113,323	
2025	45,551,042	5.000%	265,000		955,950	1,220,950	46,771,992	3.000%	637,803		486,044	1,123,847	47,895,839	
2026	45,551,482	5.000%	280,000		942,325	1,222,325	46,773,807	3.000%	656,937		466,910	1,123,847	47,897,653	
2027	45,550,235	5.000%	295,000		927,950	1,222,950	46,773,185	3.000%	676,645		447,202	1,123,847	47,897,032	
2028	45,548,534	5.000%	310,000		912,825	1,222,825	46,771,359	3.000%	696,944		426,902	1,123,847	47,895,206	
2029	45,566,909	5.000%	325,000		896,950	1,221,950	46,788,859	3.000%	717,853		405,994	1,123,847	47,912,705	
2030	45,546,974	5.000%	340,000		880,325	1,220,325	46,767,299	3.000%	739,388		384,458	1,123,847	47,891,146	
2031	45,549,716	5.000%	360,000		862,825	1,222,825	46,772,541	3.000%	761,570		362,277	1,123,847	47,896,388	
2032	45,550,156	5.000%	380,000		844,325	1,224,325	46,774,481	3.000%	784,417		339,430	1,123,847	47,898,328	
2033	45,547,850	5.000%	395,000		824,950	1,219,950	46,767,800	3.000%	807,950		315,897	1,123,847	47,891,647	
2034	45,548,724	5.000%	415,000		804,700	1,219,700	46,768,424	3.000%	832,188		291,659	1,123,847	47,892,270	
2035	32,752,619	5.250%	440,000		782,775	1,222,775	33,975,394	3.000%	857,154		266,693	1,123,847	35,099,241	
2036	32,695,661	5.250%	465,000		759,019	1,224,019	33,919,680	3.000%	882,868		240,978	1,123,847	35,043,527	
2037	32,765,122	5.250%	490,000		733,950	1,223,950	33,989,072	3.000%	909,354		214,492	1,123,847	35,112,918	
2038	32,835,098	5.250%	515,000		707,569	1,222,569	34,057,667	3.000%	936,635		187,212	1,123,847	35,181,514	
2039	30,346,598	5.250%	540,000		679,875	1,219,875	31,566,473	3.000%	964,734		159,113	1,123,847	32,690,320	
2040	16,963,647	5.250%	570,000		650,738	1,220,738	18,184,384	3.000%	993,676		130,171	1,123,847	19,308,231	
2041	14,653,885	5.250%	600,000		620,025	1,220,025	15,873,910	3.000%	1,023,486		100,360	1,123,847	16,997,757	
2042	11,733,335	5.250%	635,000		587,606	1,222,606	12,955,941	3.000%	1,054,191		69,656	1,123,847	14,079,788	
2043	9,156,510	5.250%	670,000		553,350	1,223,350	10,379,860	3.000%	1,085,817		38,030	1,123,847	11,503,707	
2044	9,167,514	5.250%	705,000		517,256	1,222,256	10,389,771	3.000%	181,852		5,456	187,308	10,577,078	
2045	7,403,137	5.250%	740,000		479,325	1,219,325	8,622,462		-		-	-	8,622,462	
2046	5,604,125	5.250%	780,000		439,425	1,219,425	6,823,550		-		-	-	6,823,550	
2047	4,669,850	5.250%	825,000		397,294	1,222,294	5,892,144		-		-	-	5,892,144	
2048	4,671,400	5.250%	870,000		352,800	1,222,800	5,894,200		-		-	-	5,894,200	
2049	4,216,350	5.250%	915,000		305,944	1,220,944	5,437,294		-		-	-	5,437,294	
2050	4,219,875	5.250%	965,000		256,594	1,221,594	5,441,469		-		-	-	5,441,469	
2051	1,783,600	5.250%	1,015,000		204,619	1,219,619	3,003,219		-		-	-	3,003,219	
2052	-	5.250%	1,070,000		149,888	1,219,888	1,219,888		-		-	-	1,219,888	
2053	-	5.250%	1,130,000		92,138	1,222,138	1,222,138		-		-	-	1,222,138	
2054	-	5.250%	1,190,000		31,238	1,221,238	1,221,238		-		-	-	-	
	\$ 801,988,642		\$ 18,495,000		\$ 18,780,224	\$ 37,275,224	\$ 839,263,866		\$ 16,720,000		\$ 5,756,933	\$ 22,476,933	\$ 860,519,561	
														\$ 47,912,705

Note: Amounts may not total due to rounding.

1c. Debt service (continued)

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

Debt Service (bonds outstanding prior to July 1, 2023)

Maximum aggregate debt service in any year

(max debt year in FY 2029):

Twentieth Series A, Twenty-ninth Series, Thirtieth Series,
Thirty-first Series, Thirty-second Series, Thirty-third Series,
Thirty-fourth Series, Thirty-fifth Series, Thirty-sixth 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	\$ 45,567	
Coverage requirement (114%)	x 1.14	
Maximum annual debt service @ 114%		\$ 51,946

Proposed bonds

RWA Principal and interest payment issued in 2024

\$ 2,346

Principal and interest for issuance test

\$ 2,346

Coverage requirement (114%)

x 1.14

Annual payment in 2029 @ 114%

2,674

Maximum annual debt payment

\$ 54,620

Note: The Authority's fiscal 2029 is the year it pays maximum annual debt service on all its bonds outstanding, including the proposed bonds. Maximum aggregate debt payments multiplied by 114% equals \$54.620 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 24 for the issuance test that sums the figures of \$51.946 million and \$2.674 million to arrive at \$54.620 million.

1c. Debt service (cont.)

Sensitivity Analysis

**Projected debt service for Proposed Bonds
at yields* in increments of 25 basis points (-.0025)**

Assumed yield	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
Maximum annual debt service	\$ 47,649	\$ 47,671	\$ 47,715	\$ 47,738	\$ 47,775	\$ 47,807	\$ 47,849	\$ 47,882	\$ 47,913
Revenues	\$ 142,117	\$ 142,142	\$ 142,192	\$ 142,218	\$ 142,261	\$ 142,297	\$ 142,345	\$ 142,383	\$ 142,418
Depreciation expense	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
O&M expenses	69,648	69,648	69,648	69,648	69,648	69,648	69,648	69,648	69,648
Revenue available									
for debt service	63,469	63,494	63,544	63,570	63,613	63,649	63,697	63,735	63,770
Maximum annual debt service	47,649	47,671	47,715	47,738	47,775	47,807	47,849	47,882	47,913
Revenue after debt service	15,820	15,823	15,829	15,832	15,838	15,842	15,848	15,853	15,857
PILOT	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150
Revenue Fund balance	\$ 6,670	\$ 6,673	\$ 6,679	\$ 6,682	\$ 6,688	\$ 6,692	\$ 6,698	\$ 6,703	\$ 6,707
Before PILOT	133%	133%	133%	133%	133%	133%	133%	133%	133%
After PILOT	114%	114%	114%	114%	114%	114%	114%	114%	114%
Percent increase over historical period (1)	5.06%	5.08%	5.12%	5.14%	5.17%	5.20%	5.23%	5.26%	5.29%
Minimum additional revenue required over historical period	\$ 6,670	\$ 6,695	\$ 6,745	\$ 6,771	\$ 6,814	\$ 6,850	\$ 6,898	\$ 6,935	\$ 6,970

**Projected debt service for Proposed Bonds
at yields* in increments of 25 basis points (+.0025)**

Assumed yield	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%	7.00%
Maximum annual debt service	\$ 47,913	\$ 47,955	\$ 47,990	\$ 48,029	\$ 48,070	\$ 48,108	\$ 48,151	\$ 48,189	\$ 48,226
Revenues	\$ 142,418	\$ 142,466	\$ 142,506	\$ 142,550	\$ 142,597	\$ 142,640	\$ 142,689	\$ 142,733	\$ 142,775
Depreciation expense	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
O&M expenses	69,648	69,648	69,648	69,648	69,648	69,648	69,648	69,648	69,648
Revenue available									
for debt service	63,770	63,818	63,858	63,902	63,949	63,992	64,041	64,085	64,127
Maximum annual debt service	47,913	47,955	47,990	48,029	48,070	48,108	48,151	48,189	48,226
Revenue after debt service	15,857	15,863	15,868	15,873	15,879	15,884	15,890	15,896	15,901
PILOT	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150
Revenue Fund balance	\$ 6,707	\$ 6,713	\$ 6,718	\$ 6,723	\$ 6,729	\$ 6,734	\$ 6,740	\$ 6,746	\$ 6,751
Before PILOT	133%	133%	133%	133%	133%	133%	133%	133%	133%
After PILOT	114%	114%	114%	114%	114%	114%	114%	114%	114%
Percent increase over historical period (1)	5.29%	5.32%	5.35%	5.39%	5.42%	5.46%	5.49%	5.53%	5.56%
Minimum additional revenue required over historical period	\$ 6,970	\$ 7,019	\$ 7,059	\$ 7,103	\$ 7,150	\$ 7,193	\$ 7,242	\$ 7,285	\$ 7,328

*"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 5% on the Authority's Bonds in November 2022 as reasonable for financial markets in July 2023. 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 25 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 on the rate on the CT DWSRF financing. The CT DWSRF financing in this application is over a term of 20 years, except 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 \$2,744,000 of “historic interest income” and \$657,000 of “historical BABs subsidy” that will be deducted from the calculation of “minimum additional revenue” in the issuance test shown in the table on page 24. Page 24 reflects the column shown in bold on this page.

1d. Payments-in-Lieu-of-Taxes

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

Projected payments based on estimated Grand List and mill rates
As of 10/1/2022 and estimates associated with the 10/1/2023
Grand List and mill rates

Issuance Test (Pro Forma Year)

July 1, 2023	\$ 4,667
January 1, 2024	<u>4,484</u>
	<u>\$ 9,150</u>

Maintenance test and cash flow test (FY 2023 and FY 2024)

July 1, 2022	\$ 4,313
January 1, 2023	<u>4,393</u>
FY 2023	<u>\$ 8,706</u>
July 1, 2023	\$ 4,667
January 1, 2024	<u>4,484</u>
FY 2024	<u>\$ 9,150</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. Rationale 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 January 2022 through June 2023. As noted in the footnote on page 19 of this application, the Authority chose the twelve consecutive months from July 2022 through June 2023. 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 dishwashers, and the installation of improved low-flow plumbing and devices such as toilets, showerheads and faucets. In addition to these new technologies, enhanced awareness by the public as to water conservation and the economy, has contributed to this decline.

Once the Authority establishes a revenue requirement, in this case \$6.970 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 10 of this application for a discussion regarding the history of the RSF.

As noted briefly on page 10 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 {amount}. 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 discussed in credit reports issued by national rating agencies, i.e., Standard & Poor's & Moody's Investors' Services. That the current balance of the fund is noted in Moody's December 2021 report as well as the expectation that the \$10 million target will be maintained and favorably notes that there has not been a draw since 2010. The December 2021 Standard & Poor's report also notes the liquidity position and treats the RSF as unrestricted when assessing cash available. It is important for the Authority to safeguard a resource like the RSF. Relying on the fund, to meet coverage requirements, increases the vulnerability of the Authority's financial structure and should be avoided.

- The Authority's Aged Receivables

While there has been 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 financial impacts of COVID-19, to the Authority, were not as severe as anticipated, accounts receivables remain at an elevated level. Therefore, the Authority believes it is prudent to safeguard the RSF by not allocating its proceeds in the issuance test. Also, given uncertainty related to the

economic outlook that could have a negative impact on the aged receivable balance, the Authority does not believe it is prudent to allocate RSF monies to meet the coverage requirement.

- Maintain RSF Balance

Cool temperatures and wetter-than-normal weather during fiscal 2009 and fiscal 2010 resulted in the Authority's need to draw \$1.4 million and \$3.2 million, respectively, from the RSF in order to meet the maintenance test. The RSF balance decreased to approximately \$3 million at the end of fiscal 2010, a reduction of 61% from the prior \$7.6 million balance. The Authority was able to begin replenishing the fund in fiscal 2011, fiscal 2012, and fiscal 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 assume 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 fiscal 2023 ending May 31, 2023

The figure shown for fiscal 2023 is the Authority's budgeted amount.

(b) For the *Pro Forma Year* (beginning July 2023)

Projected amounts for the period July 2023 through June 2024 are based upon fiscal 2023 projections adjusted for known and anticipated changes in each major expense category.

(c) For fiscal 2024 (ending May 31, 2024)

This figure uses the fiscal 2023 projection adjusted to reflect known and anticipated changes in each major expense category.

(2) Other assumptions for the *Pro Form Year* beginning July 2023 and for fiscal 2024 beginning June 1, 2023.

(a) Water Revenues

Estimated water revenues are based on billed consumption versus draft. Billed revenues for the *Pro Forma Year* and fiscal 2024 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 collections.

(b) Wholesale Water

Wholesale water is projected, per existing contracts or anticipated contracts for those coming up for renewal with the Authority's three customers in this category – Aquarion, 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 the number of connections from the prior fiscal year-end. Similarly, public fire service revenues are projected using the number of hydrants as of the end of the prior fiscal year.

(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 July 2023. Pursuing CT DWSRF financing for this projects has been approved in prior resolutions.

Regarding the new RWA proposed bonds, the amounts shown for debt service payment are estimated, assuming a yield (cost) of 5% and a principal amount of approximately \$18.5 million, excluding the approximately \$1.1 million premium. The Authority's financial advisor estimated this yield and the premium in November 2022. This application also includes approximately \$16.3 million financing through the CT DWSRF, projected to be at 3%.

(f) Maximum Annual Debt Service

Please refer to page29, 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 75 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 2022, but revised June 2022, to reflect "carry overs" (incomplete projects) from the previous fiscal year to the current fiscal year.

-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 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	TOTAL
NATURAL RESOURCES (1)						
Land Management	\$ 20	\$ 20	\$ 20	\$ 50	\$ 50	\$ 160
Watershed Protection	100	100	100	100	100	500
Improvements to Reservoir Intakes	2	-	100	30	500	632
Improvements to Reservoir Dams & Spillways	2,305	9,312	14,671	2,900	6,863	36,051
Bridge Refurbishments	-	300	-	300	-	600
Tunnel Repairs & Improvements	433	400	50	500	50	1,433
Miscellaneous	83	180	265	2,088	65	2,681
	2,942	10,312	15,206	5,968	7,628	42,056
TREATMENT (2)						
Lake Saltonstall WTP Process Improvements	1,706	2,771	2,662	200	200	7,539
Lake Whitney WTP Process Improvements	329	925	1,500	450	200	3,404
Improvements to Groundwater Treatment Facilities	3,129	1,210	1,314	1,300	2,000	8,953
Filter Media Replacement	500	500	600	600	600	2,800
Miscellaneous	988	500	2,050	2,100	250	5,888
	24,552	18,597	9,986	7,520	5,400	66,055
TRANSMISSION & PUMPING (3)						
Pipe and Transmission Main	6,092	7,325	6,650	12,725	7,275	40,067
Cleaning and Lining	-	-	-	-	1,000	1,000
Lead Service Line Replacements	500	750	1,000	5,000	5,000	12,250
Valve Replacements	250	250	250	400	400	1,550
Service Connections & Hydrants	2,425	2,425	2,525	2,525	2,825	12,725
Meters	50	50	50	50	50	250
AMI Meters	-	-	-	-	-	-
Tank Painting & Improvements	250	60	1,150	2,050	1,930	5,440
Tank Construction/Replacement	4,530	550	300	850	5,100	11,330
New Haven Service Area Improvements - Phase I	-	-	-	-	250	250
Motor Control Center Replacements/Electrical Improvements	-	-	350	350	350	1,050
Critical Pump Station & Transmission Facilities Upgrades	100	100	100	100	100	500
Variable Frequency Drive Replacements	150	150	150	200	150	800
Pump Station Generator Replacements	750	100	500	100	650	2,100
Burwell Hill Pump Station Equipment Replacement	64	-	-	-	-	64
Raynham Hill Pump Station Improvements	350	1,800	-	-	-	2,150
Spring Street Pump Station Replacement	200	5,100	3,300	-	-	8,600
Lake Gaillard Pump Station Improvements	-	-	200	1,000	3,000	4,200
Miscellaneous	1,024	2,995	1,785	1,725	3,915	11,444
	16,735	21,655	18,310	27,075	31,995	115,770
GENERAL PLANT (4)						
Information Systems	6,711	5,734	5,473	2,362	2,998	23,277
SAP Customer Channels Sales & Marketing	150	100	200	175	100	725
Data Center Life Cycle Replacements	650	650	650	650	650	3,250
Equipment	1,781	937	1,065	920	883	5,586
90 Sargent Drive	727	5,725	9,850	7,765	420	24,487
	10,019	13,146	17,238	11,872	5,051	57,325
CONTINGENCY	450	657	634	485	533	2,759
TOTAL	\$ 54,699	\$ 64,367	\$ 61,374	52,920	50,607	\$ 283,966
ESCALATED TOTAL (5)	\$ 54,699	\$ 66,298	\$ 65,112	57,827	56,958	\$ 300,894
CONSTR. FUND STATE & REDEV REVOLV. ACCT	\$ 3,000	\$ 3,000	\$ 3,000	3,000	3,000	\$ 15,000
COMMERCIAL BILLING, PSW, PSS, HP, MIGRATION (6)	\$ 100	\$ 325	\$ 360	40	40	\$ 865
NORTHERN SERVICE AREA EXPANSION	\$ -	\$ 1,500	\$ 1,500	-	-	\$ -

- (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

(b) Financial Planning Model

The Authority annually reviews its long-range financial planning model. In October 2022, this model was updated to present a view forward through 2032, including the Authority's projected capital expenditure plan.

(c) 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 fiscal 2020 to fiscal 2025 strategic plan is based on the principals 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. Each fiscal year, focus areas within the strategic plan for that particular year are identified and the associated fiscal year objectives and action plans are determined.

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/unplanned expenditures, critical parts, and debt leverage, including innovative funding solutions)
- Strengthen pension and other post-retirement benefits funding

In a continued effort to improve capital efficiency, the strategic plan includes a cross-functional approach to asset management and fully linking the technology roadmap to the capital and operating and maintenance budgets. The Authority has been executing against the plan to reduce debt and debt service through utilizing the CT DWSRF, alternative financing (e.g., Water Infrastructure Finance & Innovation Act), and grant opportunities (e.g., Congressional Directed Spending).

In fiscal 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., 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 GHD's audit.

The capital spending to be financed with the proposed bonds incorporates the three R's – Risk, Resiliency, and Redundancy, and the approach to capital planning presented with the October 2022 ten-year model. A few of the larger projects requiring funding during the eighteen-month period covered by this rate application include the Lake Whitney Dam & Spillway Improvements, the Customer Information System Replacement, Lake Gaillard Water Treatment Plant HVAC and Clarifiers, 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. Two high-priority projects, the Great Hill Tunnel and Pipeline Restoration, and the Lake Whitney Treatment Plant underdrain work affected the target. Therefore, achieving 94.5% was a significant accomplishment, given the size of the 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. In fiscal 2022, the 96% target was met with monies being put into contingency/reserve due projects being impacted by supply chain challenges and other factors outside the Authority's control. This is anticipated to occur again for fiscal 2023, subject to Authority board approval.

The Authority has worked since 2009 to achieve operating and capital efficiencies. At the time of the last rate application filing, approximately \$24.8 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 been otherwise by about 21%. This rate application reflects an additional savings, bringing the total savings to approximately \$28.1 million, resulting in water rates being lower than they otherwise would have been by about 22%.

Consistent with the base and target ten-year financial plan, presented in October 2022, 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 \$1,500,000. 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 July 2023. 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 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 affecting 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 page 21.

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-five increases in water revenue over the past approximately forty-two 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 5.3%, the result being that the Authority's typical residential customer within would experience a rate increase of approximately \$2.47 per month, or 5.5% and for the average residential customer \$3.26 per month or 5.5%, 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 ration of 224%. The debt as of May 31, 2022 was approximately \$533.4 million (at par) and \$25.3million in CT DWSRF debt, excluding premiums, and leverage was approximately 82%, adjusted for unspent bond proceeds. The Authority plans on closing on at least one project for an additional approximately \$1.5 million in CT DWSRF prior to July 2023.

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 October 2022, the Authority's long-term outstanding debt, including the portion due within one year, was \$511.9 (at par) and the Authority had \$26.3 million in CT DWSRF debt; these amounts exclude premiums. The Authority plans on closing at least one project of an additional approximately \$1.5 million in CT DWSRF financing anticipated prior to July 2023. The one project is the System-Wide Radio Telemetry Unit (RTU) Upgrade.

With this application, the Authority proposes to issue approximately \$19.5 million (including an anticipate premium) of new RWA water system bonds to fund its program of capital improvements for approximately eighteen months, July 2023 to December 2024. The Authority is also proposing to finance approximately \$16.3 million through the CT DWSRF to take advantage of favorable interest rates, expected to close prior to or within the eighteen months period covered by this rate application. Timing will depend on factors such as debt coverage and grant funding availability.

Of the proposed debt, approximately \$19.5 million is 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 anticipated \$16.3 million in CT DWSRF 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 sold as serial bonds, they could have multiple maturities within the thirty years. As shown on page 28 of this application, the Authority estimates that the yield (cost) of the bonds will be approximately 5%, 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 June and July 2023.

Please refer to the schedules on pages 27 and 28 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 July 2023 , 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 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 charges 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. 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.

January 9, 2023: Issuance Test Rate Application

Service Charge & Volumetric Increase

Existing 2022 rate schedule:

Meter size	5/8"	5/8"	5/8"	5/8"	1"	2"	2"	6"	8"
100 cubic ft (ccf - equal to 748 gallons)	2	5	8	27	100	180	333	3,333	5,000
Cost per 100 cubic feet 5/8 - 3/4" meter (multiply)	4.766	4.766	4.766	4.766					
Cost per 100 cubic feet 1 - 2" meter (multiply)					4.364	4.364	4.364		
Cost per 100 cubic feet 3 - 6" meter (multiply)								4.077	
Cost per 100 cubic feet 8" and up meter (multiply)									3.778
	9.53	23.83	38.13	128.68	436.40	785.52	1,453.21	13,588.64	18,890.00
Service Charge (fixed)	20.81	20.81	20.81	20.81	32.13	73.87	73.87	606.58	988.89
Total monthly Bill	<u>\$ 30.34</u>	<u>\$ 44.64</u>	<u>\$ 58.94</u>	<u>\$ 149.49</u>	<u>\$ 468.53</u>	<u>\$ 859.39</u>	<u>\$ 1,527.08</u>	<u>\$ 14,195.22</u>	<u>\$ 19,878.89</u>

Proposed rate schedule:

Meter size	5/8"	5/8"	5/8"	5/8"	1"	2"	2"	6"	8"
100 cubic ft (ccf - equal to 748 gallons)	2	5	8	27	100	180	333	3,333	5,000
Cost per 100 cubic feet 5/8 - 3/4" meter (multiply)	5.030	5.030	5.030	5.030					
Cost per 100 cubic feet 1 - 2" meter (multiply)					4.606	4.606	4.606		
Cost per 100 cubic feet 3 - 6" meter (multiply)								4.303	
Cost per 100 cubic feet 8" and up meter (multiply)									3.987
	10.06	25.15	40.24	135.80	460.55	828.99	1,533.63	14,340.57	19,935.50
Service Charge (fixed)	21.96	21.96	21.96	21.96	33.91	77.96	77.96	640.15	1,043.62
Total monthly bill	<u>\$ 32.02</u>	<u>\$ 47.11</u>	<u>\$ 62.20</u>	<u>\$ 157.76</u>	<u>\$ 494.46</u>	<u>\$ 906.95</u>	<u>\$ 1,611.59</u>	<u>\$ 14,980.72</u>	<u>\$ 20,979.12</u>
Total annual bill	<u>\$ 384.24</u>	<u>\$ 565.32</u>	<u>\$ 746.40</u>	<u>\$ 1,893.12</u>	<u>\$ 5,933.52</u>	<u>\$ 10,883.38</u>	<u>\$ 19,339.06</u>	<u>\$ 179,768.62</u>	<u>\$ 251,749.44</u>
	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Additional per Mos.	\$ 1.68	\$ 2.47	\$ 3.26	\$ 8.27	\$ 25.93	\$ 47.56	\$ 84.51	\$ 785.50	\$ 1,100.23
Additional per Yr.	\$ 20.16	\$ 29.64	\$ 39.12	\$ 99.24	\$ 311.16	\$ 570.70	\$ 1,014.10	\$ 9,425.98	\$ 13,202.76

Detailed Presentation of Rates and Charges for the Service Area

Table of Contents

Title of Section	Page
Introduction.....	44
Revenue Summary by Class of Customer	45
Monthly Rates: Service and Consumption Charges	46
Seasonal Rates: Service and Consumption Charges.....	47
Public and Private Fire Service Rates.....	48
Miscellaneous Water and Non-Water Rates.....	49
Local Facilities Charges and Service Connections.....	51
Description of Miscellaneous Charges	52
Other Miscellaneous Charges and Charges for Pipe Installation.....	56
Economic Development Rate	57
Wholesale Rate	58
Miscellaneous Charges	59
Other Revenue	62

Introduction

The issuance test for the Authority’s proposed Water System Revenue Bonds (“the bonds”) requires that the Authority increase its revenues by approximately 5.3% over comparable revenues for the twelve months ended June 2023 known as the “historical period” per section 619 of the *General Bond Resolution*. (Please refer to page 19 of this application regarding the Authority’s selection of this twelve-month period.) In this application, the Authority intends to issue its proposed bonds on or about July 2023, 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 on or about July 2023 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 average and typical residential monthly bills at existing and proposed rates for existing customers:

Meter Size	<u>Monthly Consumption</u> <u>in 100 cubic feet (ccf) (1)</u>	Existing Rates	Proposed Rates	Percent Increase
5/8"	2	30.34	32.02	5.5%
5/8"	5 *	44.64	47.11	5.5%
5/8"	8 **	58.94	62.20	5.5%
5/8"	27	149.49	157.76	5.5%
1"	100	468.53	494.46	5.5%
2"	180	859.39	906.95	5.5%
2"	333	1,527.08	1,611.59	5.5%
6"	3,333	14,195.22	14,980.72	5.5%
8"	5,000	19,878.89	20,979.12	5.5%

* Typical residential customer

** Average residential customer

(1) 100 cubic ft (ccf - equal to 748 gallons)

The schedule shown above indicates the average and the typical residential customer of the Authority will experience a rate increase of approximately \$3.26 per month, or 5.5% and \$2.47 per month, or 5.5%, respectively. The wholesale rate increase is based on the specific agreements with the Authority’s wholesale customers (Aqurion Water Company, the City of Meriden, and Connecticut Water Service). The increase for existing agreements not up for renewal is approximately 5.8%. The proposed rate for new and renewing agreements is as identified on page 49. Charges associated with the Authority’s non-water revenue programs see page 62, 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; 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.

January 9, 2023: Issuance Test Rate Application

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

	FY 2023 Projected revenues	FY 2023 Projected Revenues with Proposed 5.3% increase	Historical Revenues 12-months ended 06/30/2023	Additional Revenues per issuance test (5.3% increase)	Total Proposed revenues per issuance test*
Water revenue collected:					
<u>Revenue class:</u>					
Residential	\$ 86,625	\$ 86,625			
Commercial	19,205	19,205			
Industrial	2,278	2,278			
Public Authority	3,572	3,572			
Seasonal	495	495			
Small (5/8 - 3/4")			\$ 73,342	\$ 4,059	\$ 77,401
Medium (1 - 2 ")			28,951	1,602	30,553
Large (3 - 6")			6,734	373	7,107
Very Large (8" and up)			2,874	159	3,033
Total by class	112,175	112,175	111,901	6,193	118,094
<u>Fire service revenue:</u>					
Private	3,024	3,024	3,017	167	3,184
Public	9,041	9,041	9,041	500	9,541
Total fire service	12,065	12,064	12,058	667	12,725
Wholesale revenue	1,112	1,112	1,091	79	1,170
Subtotal water revenue	125,352	125,352	125,050	6,939	131,989
Miscellaneous & Facility charges	1,259	1,259	1,269	31	1,300
Other revenue	5,587	5,587	5,728	-	5,728
Total revenue	\$ 132,198	\$ 132,198	\$ 132,047	\$ 6,970	\$ 139,017

* The total of \$139,017 million is in the issuance test on page 24 where the sum of lines B and C equals \$139,017 million.

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"	\$ 20.81	\$ 21.96	5.5%
3/4"	24.32	25.67	5.5%
1"	32.13	33.91	5.5%
1 1/2"	48.66	51.35	5.5%
2"	73.87	77.96	5.5%
3"	215.99	227.94	5.5%
4"	324.17	342.11	5.5%
6"	606.58	640.15	5.5%
8"	988.89	1,043.62	5.5%
10"	1,405.99	1,483.80	5.5%
12"	1,823.25	1,924.15	5.5%
Privately owned	20.78	21.93	5.5%

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)	\$ 4.766	\$ 5.030	5.5%
Medium (1 - 2" meters)	4.364	4.606	5.5%
Large (3 - 6" meters)	4.077	4.303	5.5%
Very Large (8" and up)	3.778	3.987	5.5%

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"	\$ 312.58	\$ 329.88	5.5%
3/4"	364.72	384.90	5.5%
1"	482.04	508.72	5.5%
1 1/2"	729.70	770.08	5.5%
2"	1,107.78	1,169.08	5.5%
3"	3,240.03	3,419.33	5.5%
4"	4,863.07	5,132.19	5.5%

Consumption Charges

	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>	<u>Percent increase</u>
All Consumption	\$ 7.335	\$ 7.741	5.5%

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	\$ 0.08808	\$ 0.09295	5.5%
Hydrants	181.26	191.29	5.5%
Private:			
1" connection	\$ 16.78	\$ 17.71	5.5%
2" connection	16.78	17.71	5.5%
3" connection	16.78	17.71	5.5%
4" connection	27.12	28.62	5.5%
6" connection	64.24	67.80	5.5%
8" connection	167.84	177.13	5.5%
10" connection	357.64	377.43	5.5%
12" connection	643.16	678.75	5.5%
14" connection	1,558.21	1,644.44	5.5%
16" connection	2,213.83	2,336.34	5.5%

Service Area Miscellaneous Water & Non-water Rates

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	194	215	10.8%
Seasonal minimum charge (existing rate includes 80,000 gallons)	850	920	8.2%
Tank truck water annual charge (plus: water rate at 5.030 per ccf applicable)	80	98	22.5%
Wholesale			
Existing	2,937	3,107	5.8%
Renewal / New	3,231	3,496	8.2%
	per million gallons *not currently in use	per million gallons	
Raw Water	0.6748 per ccf.	0.7121 per ccf.	5.5%
<u>Miscellaneous non-water rates</u>			
Termination & reconnection charge (turn-off and turn-on)	168	168	0.0%
Termination & reconnection charge (after hours call-in)	222	222	0.0%
Collection visit fee (non-shut)	42	43	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	1,000	1,000	0.0%
Failure to provide access			
First Instance		500	NA
Subsequent Instance		1,000	NA
Obstructed curb valve			
First offense	58	58	0.0%
Subsequent offense	(A)	(A)	
Repair /cleaning curb box (due to customer negligence)	164	164	0.0%
Deficient check charge	30	30	0.0%
Lien processing charge	27	27	0.0%
Filing or Release (each)		60	NA
Special customer request charge	(A)	(A)	
Waste inspection charge	87	87	0.0%
Meter resetting charge	166	166	0.0%

* Proposed rates are rounded to the nearest dollar.

January 9, 2023: Issuance Test Rate Application

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	49	51	4.1%
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	595	30.2%
(2) in street at tap valve	(A)	(A)	
Backflow per device testing charges:			
1 to 5 devices	57	57	0.0%
6 to 9 devices	50	50	0.0%
10 to 50 devices	45	45	0.0%
50+ devices	40	40	0.0%
Unscheduled test	115	115	0.0%
Confined space, pit/vault	115	182	58.3%
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"	455	455	0.0%
2"	555	555	0.0%
Over 2"	(A)	(A)	
Land Record Filing Fee		(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.

Rates for local facilities and service connections

	<u>Existing rates</u>	<u>Proposed rates *</u>	<u>Percent increase</u>
Local facilities charges			
<u>Meter Size</u>			
5/8" & 3/4"	\$ 550	\$ 580	5.5%
1"	830	880	6.1%
1 1/2"	970	1,025	5.7%
2"	1,525	1,615	5.9%
3"	6,105	6,460	5.8%
4"	7,625	8,070	5.8%
6"	11,510	12,180	5.8%
8"	15,935	16,865	5.8%
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"	455	455	0.0%
2"	555	555	0.0%
Over 2"	(A)	(A)	

(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.

* 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 \$215 that allows the permittee to draw not more than 12,000 gallons of water. The Authority will assess estimated usage of 12,000 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 \$920 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 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 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 Reconnection 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 5:30 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.

Failure to Provide Access

The Authority has requested, and has not been provided with, access to allow for completion of inspections, testing, or replacement of backflow device, service line, or other water infrastructure/equipment, as required by regulations of Connecticut and/or Federal agencies.

Obstructed Curb Valve

This fee will be charged to customers who have prevented access to our curb valve by parking of 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, 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 that, due to the negligence of the customer, is damaged.

January 9, 2023: Issuance Test Rate Application

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 bank charges.

Lien Processing Charge

This charge is applied on accounts when formal liens are placed 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 filing and release fees charged by towns and cities.

Land Records Filing Fee

This fee is for the recovery of filing fees associated with High/Low Pressure Agreements, Easement Agreements, and Well Abandonment Agreements.

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 excavate 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 State of Connecticut Public Health Code. The Authority also offers testing of these devices at the request of customers. 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 p.m.

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 meter reading system equipment; therefore, the Authority 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 be limited to, irrigation, car washing, and power washing, customers who do not comply will be charged as follows (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 and 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 (Bi-annual)

This fee is for seasonal, bi-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 issuing 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 cost 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 overhead, 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:

<u>Corporation Stop or Branch Connection</u>		
<u>Size</u>	<u>Existing Service Charges</u>	<u>Proposed Service Charges</u>
1”	\$315 ⁽¹⁾	\$315 ⁽¹⁾
1 ½”	\$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.

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

(A) The Charge will be the Authority’s cost of mater, labor, and equipment used, plus the cost of overhead a 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 mater and inspecting installation of the service connection.

Local Facilities Charge

A local facilities charge for each connection to 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 Charge</u>	<u>Proposed Charge</u>
5/8" & 3/4"	\$ 550	\$ 580
1"	830	880
1 1/2"	970	1,025
2"	1,525	1,615
3"	6,105	6,460
4"	7,625	8,070
6"	11,510	12,180
8"	15,935	16,865

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) years, over the subsequent three (3) year period, the Authority will assess the customer a ten (10) percent increase in the first year of the three (3) year period, a five (5) percent increase in the second year, and a five (5) percent increase in the third and final year of

the three-year period. These increases will be based on the then current rates. At the end of this subsequent three (3) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate the customer 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.

**Applicability of the Economic Development Rate to be 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. In this current rate application, the Authority has updated costs allocable to the wholesale rate based on an older prescribed methodology in certain existing agreements. The rate increase based on this methodology is 5.8%. In this rate application, the Authority has also calculated the proposed wholesale rate based on the July 2021 cost of service study filed in that rate application, for renewals and new wholesale contracts.

January 9, 2023: Issuance Test Rate Application

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		194	215	
Seasonal minimum charge		850	920	
Tank truck water annual charge (plus:		80	98	
Totals	184,215			203,355
Raw water sales - per ccf		0.6748	0.7121	
Total water sales	184,215			203,355
<u>Non-water sales</u>				
Waste inspections	464	87	87	464
Deficient check charge	23,722	30	30	23,722
Lien processing fee	77,931	27	27	77,931
Lien filing or release (ea)	incl above	60	60	
Termination and reconnection charge		168	168	
Termination & reconn. charge after hours		222	222	
Collection visit fee (non-shut)		42	43	
Other collection activity		(A)	(A)	
Subtotal	316,537			319,049
Tampering of hydrant				
First offense	-	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	7,750			7,750
First Offense		500	500	
Subsequent offense		1,000	1,000	
Failure to Provide Access				
First Offense			500	
Subsequent offense			1,000	
Repair/cleaning curb box (due to customer negligence)	492	164	164	492
Meter resetting charge	14,475	166	166	14,475

(continued on next page)

* Proposed rates are rounded to the nearest dollar.

January 9, 2023: Issuance Test Rate Application

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	\$ 50,046	\$ 200	\$ 200	\$ 50,046
Obstructed curb valve				
First offense	290	58	58	290
Subsequent offense		(A)	(A)	
Service call				
(1) During working hours	-	102	102	
(2) After hours (call-in)	-	289	289	
Subtotal	6,240			6,240
Manual meter reading fee	14,819	49	51	15,424
Missed appointment charge	10,916	55	55	10,916
Repair or replacement of company meter reading device (eg Flexnet	7,467	205	205	7,467
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	180	(A)	(A)	180
Excavation for termination of service				
(1) at curb valve		457	595	
(2) in street at tap valve		(A)	(A)	
Backflow device testing charges:	402,065			404,407
1 to 5 devices		57	57	
6 to 9 devices		50	50	
10 to 50 devices		45	45	
50+ devices		40	40	
Unscheduled test		115	115	
Confined space, pit/vault		115	182	
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"		455	455	
2"		555	555	
Over 2"		(A)	(A)	
Land Record Filing Fee			(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)	
Total non-water sales	<u>\$ 933,394</u>			<u>\$ 938,854</u>
Total water and non-water sales	<u>1,117,609</u>			<u>1,142,208</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.

(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.

January 9, 2023: Issuance Test Rate Application

	<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	\$ 580	
1"		830	880	
1-1/2"		970	1,025	
2"		1,525	1,615	
3"		6,105	6,460	
4"		7,625	8,070	
6"		11,510	12,180	
8"		15,935	16,865	
Total local facilities revenues	\$ 110,907			\$117,362
<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"		455	455	
2"		555	555	
Over 2"		(A)	(A)	
Total meter installation revenues	40,613			40,613
Total local facilities, corporation stop/branch connection and meter installation revenues	<u>\$ 151,520</u>			<u>\$ 157,975</u>

* Proposed rates are rounded to the nearest five dollars.

(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 2023</u>	<u>Revenues per issuance test</u>
Total other revenue	\$5,299	\$5,728

Total “other revenue” includes the following items:

- Rental income
- Recreation permits
- Laboratory services
- Forestry
- PipeSafe Offerings (water, sewer/septic, plumbing)
- Private fleet repairs

Section Six: Proposed Rates and Fees

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)

**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, February 23, 2023, to consider the application of the Authority to establish rates, other charges, and rate schedules for water and related services (“the 2023 Rate Application”).

Members of the public may attend the meeting in person at 90 Sargent Drive, New Haven, Connecticut or via remote access. For remote access information, and to view the application and accompanying information, please go to <https://tinyurl.com/mu6vxn53>. The public hearing is being 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 July 2023 (the “proposed bonds”). The Authority anticipates that total revenues to be raised by the proposed increase in rates will be approximately \$6.970 million, or 5.3 %, 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 5.0% 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
3.00% and lower	5.06%
above 3.00% and up to 3.25%	5.08%
above 3.25% and up to 3.50%	5.12%
above 3.50% and up to 3.75%	5.14%
above 3.75% and up to 4.00%	5.17%
above 4.00% and up to 4.25%	5.20%
above 4.25% and up to 4.50%	5.23%
above 4.50% and up to 4.75%	5.26%
above 4.75% and up to 5.00%	5.29%
above 5.00% and up to 5.25%	5.32%
above 5.25% and up to 5.50%	5.35%
above 5.50% and up to 5.75%	5.39%
above 5.75% and up to 6.00%	5.42%
above 6.00% and up to 6.25%	5.46%
above 6.25% and up to 6.50%	5.49%
above 6.50% and up to 6.75%	5.53%
above 6.75% and up to 7.00%	5.56%

The following table provides examples of monthly bills at existing and proposed rates. The average residential customer of the Authority’s district will experience an increase of approximately \$3.26 per month, or 5.5% and a typical residential customer will experience an increase of approximately \$2.47 per month or 5.5%.

<u>Monthly Consumption</u>		<u>Existing Rates</u>	<u>Proposed Rates</u>
Meter Size	<u>in 100 cubic feet (ccf) (1)</u>		
5/8"	2	30.34	32.02
5/8"	5 *	44.64	47.11
5/8"	8 **	58.94	62.20
5/8"	27	149.49	157.76
1"	100	468.53	494.46
2"	180	859.39	906.95
2"	333	1,527.08	1,611.59
6"	3,333	14,195.22	14,980.72
8"	5,000	19,878.89	20,979.12

* Typical residential customer

** Average residential customer

(1) 100 cubic ft (ccf - equal to 748 gallons)

January 9, 2023: Issuance Test Rate Application

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 2023 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 5.3%.

Monthly Water Rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>
5/8"	\$ 20.81	\$ 21.96
3/4"	24.32	25.67
1"	32.13	33.91
1 1/2"	48.66	51.35
2"	73.87	77.96
3"	215.99	227.94
4"	324.17	342.11
6"	606.58	640.15
8"	988.89	1,043.62
10"	1,405.99	1,483.80
12"	1,823.25	1,924.15
Privately owned	20.78	21.93

Consumption Charges

	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>
Small (5/8 - 3/4" meters)	\$ 4.766	\$ 5.030
Medium (1 - 2" meters)	4.364	4.606
Large (3 - 6" meters)	4.077	4.303
Very Large (8" and up)	3.778	3.987

Seasonal Water Rates

Service charges

<u>Meter size</u>	<u>Existing service charges</u>	<u>Proposed service charges</u>
5/8"	\$ 312.58	\$ 329.88
3/4"	364.72	384.90
1"	482.04	508.72
1 1/2"	729.70	770.08
2"	1,107.78	1,169.08
3"	3,240.03	3,419.33
4"	4,863.07	5,132.19

Consumption Charges

	<u>Existing rates / per hundred cubic feet</u>	<u>Proposed rates / per hundred cubic feet</u>
All Consumption	\$ 7.335	\$ 7.741

Public and Private Fire Service Rates

<u>Service charges</u>	Annual	
	<u>Existing rates</u>	<u>Proposed rates</u>
Public:		
Inch - feet	\$ 0.08808	\$ 0.09295
Hydrants	181.26	191.29
Private:		
1" connection	\$ 16.78	\$ 17.71
2" connection	16.78	17.71
3" connection	16.78	17.71
4" connection	27.12	28.62
6" connection	64.24	67.80
8" connection	167.84	177.13
10" connection	357.64	377.43
12" connection	643.16	678.75
14" connection	1,558.21	1,644.44
16" connection	2,213.83	2,336.34

January 9, 2023: Issuance Test Rate Application

SERVICE AREA MISCELLANEOUS WATER AND NON-WATER RATES

<u>Miscellaneous water rates</u>	<u>Existing rates</u>	<u>Proposed rates *</u>
Hydrant permits:		
Meter service charge	\$ 276	\$ 276
Minimum service charge	194	215
Seasonal minimum charge	850	920
(existing rate includes 80,000 gallons)		
Tank truck water annual charge	80	98
(plus: water rate at 5.030 per ccf applicable)		
Wholesale		
Existing	2,937	3,107
Renewal / New	3,231	3,496
	per million gallons	per million gallons
	*not currently in use	
Raw Water	0.6748	0.7121
	per ccf.	per ccf.
<u>Miscellaneous non-water rates</u>		
Termination & reconnection charge (turn-off and turn-on)	168	168
Termination & reconnection charge (after hours call-in)	222	222
Collection visit fee (non-shut)	42	43
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	1,000	1,000
Failure to provide access		
First Instance		500
Subsequent Instance		1,000
Obstructed curb valve		
First offense	58	58
Subsequent offense	(A)	(A)
Repair /cleaning curb box (due to customer negligence)	164	164
Deficient check charge	30	30
Lien processing charge	27	27
Filing or Release (each)		60
Special customer request charge	(A)	(A)
Waste inspection charge	87	87
Meter resetting charge	166	166

* Proposed rates are rounded to the nearest dollar.

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	49	51
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	595
(2) in street at tap valve	(A)	(A)
Backflow per device testing charges:		
1 to 5 devices	57	57
6 to 9 devices	50	50
10 to 50 devices	45	45
50+ devices	40	40
Unscheduled test	115	115
Confined space, pit/vault	115	182
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"	455	455
2"	555	555
Over 2"	(A)	(A)
Land Record Filing Fee		(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 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.

January 9, 2023: Issuance Test Rate Application

(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 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 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, the cost shall be based on the pipe size actually required.

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 mater installation as follow:

January 9, 2023: Issuance Test Rate Application

	<u>Existing rates</u>	<u>Proposed rates *</u>
<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)

(1) Plus the 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.

	<u>Existing rates</u>	<u>Proposed rates *</u>
<u>Meter installation</u>		
5/8" & 3/4"	220	220
1"	275	275
1 1/2"	455	455
2"	555	555
Over 2"	(A)	(A)

* Proposed rates are rounded to the nearest five dollars.

Local Facilities Charges

The purpose of the local facilities charge 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>Existing rates</u>	<u>Proposed rates *</u>
<u>Local facilities charges</u>		
<u>Meter Size</u>		
5/8" & 3/4"	\$ 550	\$ 580
1"	830	880
1 1/2"	970	1,025
2"	1,525	1,615
3"	6,105	6,460
4"	7,625	8,070
6"	11,510	12,180
8"	15,935	16,865

(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) years, over the subsequent three (3) year period, the Authority will assess the customer a ten (10) percent increase in the first year of the three (3) year period, a five (5) percent increase in the second year, and a five (5) percent increase in the third and final year of the three-year period. These increases will be based on the then current rates. At the end of this subsequent three (3) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate the customer 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.

**Applicability of the Economic Development Rate to be reviewed on a case-by-case basis.

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

2. Resolutions

2a. Resolutions of the Authority

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

RESOLUTION

APPROVING THE PROPOSED ISSUANCE OF BONDS

RESOLVED: That the Authority hereby establishes the general terms and provisions of the Authority's 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 thirty-seven million dollars (\$37,000,000) 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, 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 (the "Projects") from approximately July, 2023 through December, 2024 in accordance with a certain capital improvement plan (the "Plan") adopted by the Authority on June 23, 2022, as may be amended from time to time, or in accordance with resolutions approved by the Authority for additional water system projects, (the "Resolutions"), 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 a competitive bid or 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.

5. The Authority reasonably expects to incur expenditures (the “Expenditures”) in connection with the Projects of which a general functional description is contained in the Plan and the Resolutions. The Authority reasonably expects to reimburse itself for the cost of Expenditures with respect to the Projects with the proceeds of tax-exempt debt to be issued by the Authority within eighteen (18) months after the date of any Expenditure or the date the Project is placed in service or abandoned, whichever is later. The maximum principal amount of such debt with respect to the Projects is not expected to exceed \$37,000,000.
6. The form of this resolution entitled “Resolution Approving the Proposed Issuance of 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:

1. Temporary notes of the Authority which may be issued as Interim Funding Obligations delivered to the State of Connecticut may be issued by the Authority in the amount of \$37,000,000 in anticipation of the receipt of the proceeds from the sale of such Bonds.
2. The President & Chief Executive Officer and the Vice President and Chief Financial Officer or any one of them may apply to the State Department of Public Health for eligibility and funding of the Projects and sign such application and any other documents which may be necessary or desirable to apply for eligibility of and to apply for and obtain financial assistance for the Projects from the State’s Drinking Water Fund Program and that any such action taken prior hereto is hereby ratified and confirmed.

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 2023 issuance test rate application (the “2023 Rate Application”), filed by the South Central Connecticut Regional Water Authority (the “Authority”) with the RPB on January 9, 2023, and be it further

RESOLVED, that the water rates and related charges set forth in the 2023 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 July 5, 2023. 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 30 of the 2023 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 Thirty-seven Million Dollars (\$37,000,000).
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 (the “Projects”) from approximately July, 2023 through December, 2024 in accordance with a certain capital improvement plan (the “Plan”) adopted by the Authority on June 23, 2022, as may be amended from time to time, or in accordance with resolutions approved by the Authority for additional water system projects, (the “Resolutions”), 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 a competitive bid or 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.

Section Seven: Index

Item	Page
Capital expenditures – compare budgeted to expended amounts	22
Capital improvements – consistency with strategic plan	37
Capital improvements – five-year plan	36
Capital improvements – relationship to financial planning model	38
Consequences, should the RPB reject this application	38
Cost allocation and rate design study.....	15
Debt – history.....	39
Debt – narrative describing proposed debt	39
Debt – proposed amount	39
Debt – uses.....	39
Facts upon which the RPB may rely.....	12
<i>General Bond Resolution</i> (issuance test requirement).....	8
Issuance test	24
Issuance test – aggregate debt service schedule	28
Issuance test – assumptions	33
Issuance test – historical period of twelve months	19
Issuance test – operating and maintenance expense	25
Issuance test – Payment-in-Lieu-of-Taxes (“PILOT”).....	31
Issuance test – rationale and methodology to determine revenue requirements.....	31
Issuance test – sensitivity analysis, projected debt service.....	30
Maintenance test – if rate increase is approved and bonds are issued	18
Maintenance test – if no rate action is taken.....	21
Notice of public hearing.....	63
Rate Stabilization Fund.....	10
Rate structure	15
Rates and charges – detailed presentation	42
Rates and charges – summary comparison of existing to proposed	43
Resolution by Authority.....	74
Resolutions by the RPB	75
Revenue increase – alternatives to a revenue increase	14
Revenue increases – history.....	13
Revenue increase – proposed.....	10
Revenues – summary of required revenues for maintenance test.....	16
Revenues – required revenues by class of consumer.....	17
Statutory reference for increasing rates	7
Unusual circumstances.....	11

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
ISSUANCE TEST RATE APPLICATION DATED JANUARY 3, 2023

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

January 26, 2023

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. On Page 19 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 July 2022-June 2023. 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 February 23, 2023 public hearing, update the schedule of historical revenues to include/reflect actual revenues through the periods ending December 2022 and January 2023.

2. On pages 32-33 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 respective December 2021 S&P and Moody’s ratings reports.

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
Ciulla & Donofrio, LLP
127 Washington Avenue
P.O. Box 219
North Haven, CT 06473
(203) 239-9828

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, February 23, 2023, to consider the application of the Authority to establish rates, other charges, and rate schedules for water and related services ("the 2023 Rate Application").

Members of the public may attend the meeting in person at 90 Sargent Drive, New Haven, Connecticut or via remote access. For remote access information, and to view the application and accompanying information, please go to https://tinyurl.com/mufvkn31. The public hearing is being held pursuant to provisions of Sections 10 and 14 of the District's enabling legislation, which is Connecticut Special Act 77-98, as amended.

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 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 2023 rate application are available for public inspection at the District's offices, 90 Sargent Drive, New Haven, Connecticut 06511.

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 July 2023 (the "proposed bonds"). The Authority anticipates that total revenues to be raised by the proposed increase in rates will be approximately \$6.970 million, or 5.3%, 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 5.0% 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.

Table with 2 columns: Interest Rate, Revenue Increase. Rows show ranges from 3.00% and lower to above 6.75% and up to 7.00% with corresponding revenue increase percentages.

The following table provides examples of monthly bills at existing and proposed rates. The average residential customer of the Authority's district will experience an increase of approximately \$3.26 per month, or 5.5%, and a typical residential customer will experience an increase of approximately \$2.47 per month or 5.5%.

Table with 4 columns: Meter Size, Monthly Consumption in 100 cubic feet (ccf) (l), Existing Rates, Proposed Rates. Rows include meter sizes from 5/8" to 8" with consumption and rate data.

*Typical residential customer
** Average residential customer
(l) 100 cubic feet (ccf) equals 748 gallons

NOTICE POSTED BY:
Mario Rizzozi, 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 5.3%.

MONTHLY WATER RATES

Table with 3 columns: Meter Size, Existing Service Charges, Proposed Service Charges. Rows include meter sizes from 5/8" to 12" and privately owned meters.

Consumption Charges

Table with 3 columns: Cubic Feet, Existing Rates / per Hundred Cubic Feet, Proposed Rates / per Hundred Cubic Feet. Rows include meter sizes from Small (5/8 - 3/4" meters) to Very Large (8" and up).

SEASONAL WATER RATES

Table with 3 columns: Meter Size, Existing Service Charges, Proposed Service Charges. Rows include meter sizes from 5/8" to 4" and consumption charges.

Consumption Charges

Table with 3 columns: Cubic Feet, Existing Rates / per Hundred Cubic Feet, Proposed Rates / per Hundred Cubic Feet. Rows include all consumption and hydrant charges.

PUBLIC AND PRIVATE FIRE SERVICE RATES

Table with 3 columns: Service Charges - Annual, Existing Rates, Proposed Rates. Rows include public and private connection charges for various sizes from 1" to 16".

SERVICE AREA MISCELLANEOUS WATER AND NON-WATER RATES

Table with 3 columns: Miscellaneous Water Rates, Existing Rates, Proposed Rates. Rows include hydrant permits, meter service charges, minimum service charges, seasonal minimum charges, tank truck water annual charge, wholesale, and miscellaneous non-water rates.

Miscellaneous Non-Water Rates

Table with 3 columns: Description, Existing Rates, Proposed Rates. Rows include termination & reconnection charges, collection visit fees, other collection activity, tampering of hydrant, inaccessible vault/ pit, unmetered active service fee, failure to provide access, obstructed curb valve, repair/cleaning curb box, deficient check charge, lien processing charge, special customer request charge, waste inspection charge, meter resetting charge, excavation for termination of service, and backflow per device testing charges.

OTHER MISCELLANEOUS CHARGES AND CHARGES FOR PIPE INSTALLATION

Table with 3 columns: Description, Existing Rates, Proposed Rates. Rows include miscellaneous charges for pipe installation, repair/cleaning curb box, deficient check charge, lien processing charge, special customer request charge, waste inspection charge, meter resetting charge, excavation for termination of service, and backflow per device testing charges.

ENTIRE SERVICE AREA MISCELLANEOUS WATER AND NON-WATER RATES

Table with 3 columns: Service Call, Existing Rates, Proposed Rates. Rows include service call charges, mandatory water restriction violation fees, and drought stage watch/warning/emergency charges.

Excavation for Termination of Service

Table with 3 columns: Description, Existing Rates, Proposed Rates. Rows include excavation for termination of service at curb valve and in street at tap valve.

Backflow Per Device Testing Charges

Table with 3 columns: Description, Existing Rates, Proposed Rates. Rows include backflow per device testing charges for 1 to 5 devices, 6 to 9 devices, 10 to 50 devices, 50+ devices, unscheduled test, confined space, pit/vault, and pit/vault requiring pumping.

Repair or Replacement of Company Meters

Table with 3 columns: Description, Existing Rates, Proposed Rates. Rows include repair or replacement of company meters for 5/8" & 3/4", 1", 1-1/2", 2", and over 2" meters.

Land Record Filing Fee

Table with 3 columns: Description, Existing Rates, Proposed Rates. Row includes land record filing fee.

Private Hydrant Inspections - Annual Test

Table with 3 columns: Description, Existing Rates, Proposed Rates. Row includes private hydrant inspections - annual test.

Private Hydrant Inspections - Seasonal (Two) Tests

Table with 3 columns: Description, Existing Rates, Proposed Rates. Row includes private hydrant inspections - seasonal (two) tests.

Per Foot Costs to Install a Hydrant on New Main

Table with 3 columns: Description, Existing Rates, Proposed Rates. Row includes per foot costs to install a hydrant on new main.

(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.

(C) As per contractual agreements.

*Proposed rates are rounded to the nearest dollar.

MISCELLANEOUS CHARGES AND CHARGES FOR PIPE INSTALLATION

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 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, the cost shall be based on the pipe size actually required.

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

Table with 3 columns: Size, Existing Service Charges, Proposed Service Charges. Rows include corporation stop or branch connection for meter sizes 1", 1-1/2", 2", and over 2".

(l) Plus the 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 Size

Table with 3 columns: Meter Size, Existing Rates, Proposed Rates. Rows include meter sizes from 5/8" & 3/4", 1", 1-1/2", 2", and over 2".

* Proposed rates are rounded to the nearest five dollars.

LOCAL FACILITIES CHARGES

The purpose of the local facilities charge 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.

Meter Size

Table with 3 columns: Meter Size, Existing Service Charges, Proposed Service Charges. Rows include meter sizes from 5/8" & 3/4", 1", 1-1/2", 2", 3", 4", 6", and 8".

(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) years, over the subsequent three (3) year period, the Authority will assess the customer a ten (10) percent increase in the first year of the three (3) year period, a five (5) percent increase in the second year, and a five (5) percent increase in the third and final year of the three-year period. These increases will be based on the then current rates. At the end of this subsequent three (3) year period, the Authority will assess the customer its full applicable water rates.

To qualify for this economic development rate the customer 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.

** Applicability of the Economic Development Rate to be reviewed on a case-by-case basis.

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

February 1, 2023

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

Re: Issuance Test Rate Application (January 26, 2023) – 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 January 26, 2023.

As noted in the attached, we will respond to interrogatory #1 after January results are available.

If you have further questions, please do not hesitate to contact us.

Regards,



Rochelle Kowalski
Vice President & Chief Financial Officer

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

INTERROGATORIES

1. *On Page 19 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 July 2022-June 2023. 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 February 23, 2023 public hearing, update the schedule of historical revenues to include/reflect actual revenues through the periods ending December 2022 and January 2023.*

We will provide the requested update shortly, once we have January results. However, we did not want to delay responding to your other interrogatory.

2. *On pages 32-33 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 respective December 2021 S&P and Moody's ratings reports.*

Please see Attachment 1-A for the referenced S&P report, in particular the "Financial Risk" section on page 3. The \$44 million referenced as unrestricted in S&P's report includes the \$10 million in the Rate Stabilization Fund (RSF) consistent with their treatment and view of this fund as "available." In our audited financials, the RSF is not in Cash & Cash Equivalents but in Restricted Assets. As a reference, the Statement of Net Position from our fiscal 2021 audited financials, the statement used for the December 2021 S&P report, is Attachment 1-B.

Attachment 1-C is the Moody's report; in particular please see the "Liquidity" section on page 3.

S&P Global
Ratings

RatingsDirect®

Summary:

South Central Connecticut Regional Water Authority; Water/Sewer

Primary Credit Analyst:

Alan B Shabatay, New York + 1 (212) 438 9025; alan.shabatay@spglobal.com

Secondary Contact:

Geoffrey E Buswick, Boston + 1 (617) 530 8311; geoffrey.buswick@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Related Research

Summary:

South Central Connecticut Regional Water Authority; Water/Sewer

Credit Profile

US\$37.49 mil wtr sys rev bnds ser A-1 due 08/01/2049		
<i>Long Term Rating</i>	AA-/Stable	New
US\$17.395 mil wtr sys rev rfdg bnds ser B-1 due 08/01/2029		
<i>Long Term Rating</i>	AA-/Stable	New
US\$3.785 mil wtr sys rev rfdg bnds ser A-1 due 08/01/2038		
<i>Long Term Rating</i>	AA-/Stable	New
US\$3.485 mil wtr sys rev bnds (green bnds) ser A-2 due 08/01/2051		
<i>Long Term Rating</i>	AA-/Stable	New

Rating Action

S&P Global Ratings has assigned its 'AA-' rating to South Central Connecticut Regional Water Authority's (SCCRWA) 36th series A-1 water system revenue bonds, 36th series A-2 water system revenue bonds (green bonds), and 36th series B-1 water system revenue refunding bonds. S&P Global Ratings has also affirmed its 'AA-' long-term rating and underlying rating (SPUR) on SCCRWA's existing debt. The outlook is stable.

The 36th series A-1 obligations will have a par amount of approximately \$41.3 million, and funds will be used for improvements to the water system, including repairs and rehabilitation to the Lake Whitney Dam, improvements to their treatment and transmission/distribution network, the current refunding of the authority's 22nd series bonds, and paying the costs of issuance. The 36th series A-2 bonds (green bonds) will have a par amount of approximately \$3.5 million and are being issued to finance the costs of water treatment plant valve replacements; heating, ventilation, and air conditioning (HVAC) upgrades to the Lake Gaillard water treatment plant; and certain capital pipe projects, as well as paying the costs of issuance. The 36th series B-1 obligations will have a par amount of \$17.4 million, and funds will be used for the forward delivery refunding of the existing series 28A & 28B bonds of the water system and pay for costs of issuance. The bonds are secured by a first-lien pledge on the water system's net revenue. Bond provisions are, in our opinion, credit neutral. The rate covenant requires 1.25x debt service coverage (DSC) before payments in lieu of taxes (PILOTs) and 1.14x DSC including PILOTs. As of May 2021, the water authority had approximately \$543 million in long-term debt outstanding.

Credit overview

The rating reflects management's ability to monitor and adjust rates and charges toward supporting a large capital program, driven by the water system's one-year, five-year, 10-year, and 20-year planning horizons. Management's focus over the next five years will be repairs and improvements to system treatment, transmission, and pumping, as well as rehabilitating the 160-year-old Lake Whitney Dam, which contains the Lake Whitney active water supply

source. Given management's focus on costs and rate adjustments, all-in coverage has remained stable during the past three years, averaging about 1.5x. We expect all-in coverage will remain sound, given that management is intending on further refundings for debt service savings in 2022.

The enterprise risk assessment reflects our assessment of the authority's:

- Service area economy in the New Haven-Milford metropolitan statistical area (MSA), which is characterized by above-average incomes at 110% of national median household effective buying income (MHHEBI) and above-average unemployment, with the top 10 customers accounting for about 6.1% of total revenues and including a diverse selection of institutions, including Yale University as the top customer;
- Affordable water rates representing .9% of MHHEBI, although we note the moderate New Haven County poverty rate of 12%, despite the frequent rate increases, and that in 2022, all quarterly customers will convert to monthly in the same month; and
- Sufficient operational management assessment, with long-term planning efforts to address their capital needs. We also note that SCCRWA has robust cyber preventative and recovery measures, including firewall protection, antivirus solutions, and remote SCADA systems. Further, the system periodically performs security exercises and has several cyber security certifications. We view positively the authority's efforts to raise rates approximately every 18 months, which helps maintain current coverage levels.

The financial risk profile reflects our view of the authority's:

- All-in DSC of about 1.5x for the past three audited years, and we expect coverage will be maintained at least at such levels for the foreseeable future. While we consider such levels of coverage to be healthy, we note that it is lower than average compared to peers; and
- Steady liquidity position, with the authority reporting \$44 million in unrestricted cash and cash equivalents at the end of fiscal 2021, providing about 235 days' cash on hand;
- Debt profile, which is highly leveraged, with a 71% debt-to-capitalization ratio after being adjusted with this debt issue, and supplemented by a pension-funded ratio of 86% for its salaried plan and 92% for the bargaining unit plan; and
- Financial Management Assessment (FMA), which we view positively as the authority annually updates a variety of capital budgets, financial forecasts, and performs a monthly review of financial budgeting.

The stable outlook reflects S&P Global Ratings' opinion that 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.

Environmental, social, and governance

In terms of environmental factors, we note that SCCRWA is in New Haven County and owns and operates a waterworks system and treatment facility. It obtains about 85% of its water from surface water sources, with the remainder coming from its ground water supply. Management has reported no issues meeting environmental or water quality standards. Environmental risks are, in our view, mostly related to management's continued efforts to help maintain its system through regular maintenance so that the system continues to perform as expected. Management

has indicated that they are proactive with the manual and machine removal of a new, nonnative invasive plant species, the water chestnut, in Lake Saltonstall.

Currently, rates are affordable and the authority's social risks are low; however, we note that affordability may decrease over time due to periodic rate increases. We note the authority has positive cyber security measures as it employs multiple layers of firewalls and secure user authentication protocols and regularly perform cyber security exercises and audits on its systems. The authority also possesses several cyber security certifications from organizations like the Connecticut Department of Environmental Protection and Department of Homeland Security, which we view favorably. We view governance factors as being comparable with those of peers. However, we note that about 40% of collective bargaining agreement members in the authority are eligible for retirement as of October 2021, which we believe requires effective succession planning going forward to address.

Stable Outlook

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.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of December 3, 2021)

South Cent Connecticut Regl Wtr Auth wtr		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr sys rev bnds 25th ser & wtr sys rev bnds 2010 ser A (Taxable Build America) dtd 04/06/2010 due 08/01/2014-202		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr sys rev bnds 25th ser & wtr sys rev bnds 2010 ser A (Taxable Build America) dtd 04/06/2010 due 08/01/2014-202		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
South Cent Connecticut Regl Wtr Auth wtr (AGM)		
<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

Ratings Detail (As Of December 3, 2021) (cont.)

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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Attachment 1B

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Assets:		
Utility plant:		
Depreciable property, plant and equipment in service	\$ 904,362,604	\$ 891,642,307
Accumulated depreciation	<u>(384,522,361)</u>	<u>(361,941,227)</u>
Depreciable utility plant in service	519,840,243	529,701,080
Land	27,993,989	28,090,329
Construction work in progress	<u>24,610,997</u>	<u>19,661,117</u>
Total utility plant, net	<u>572,445,229</u>	<u>577,452,526</u>
Nonutility land	<u>64,983,525</u>	<u>64,983,525</u>
Current assets:		
Cash and cash equivalents	34,020,218	35,452,357
Accounts receivable, less allowance for doubtful accounts of \$4,317,359 in 2021 and \$3,505,045 in 2020	14,748,304	13,784,791
Accrued water revenue	18,590,817	18,159,741
Accrued interest receivable	6,373	94,563
Materials and supplies	1,898,220	1,676,190
Prepaid expenses and other assets	<u>4,003,818</u>	<u>3,461,143</u>
Total current assets	<u>73,267,750</u>	<u>72,628,785</u>
Long-term note receivable	500,000	500,000
Restricted assets	124,397,151	121,046,235
Regulatory assets	<u>9,876,593</u>	<u>10,589,882</u>
Total assets	<u>845,470,248</u>	<u>847,200,953</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	17,200,566	18,555,950
Deferred outflows - goodwill	14,423,704	14,423,704
Deferred outflows related to pensions	2,985,327	4,960,411
Deferred outflows related to OPEB	<u>2,293,040</u>	<u>1,191,302</u>
Total deferred outflows of resources	<u>36,902,637</u>	<u>39,131,367</u>
Liabilities:		
Noncurrent liabilities:		
Revenue bonds payable, less current portion	495,615,000	516,180,000
Drinking water loans payable	25,330,874	21,112,560
Net premiums and discounts from revenue bonds payable	41,092,304	45,498,237
Net pension liability	9,651,739	19,071,269
Net OPEB liability	<u>17,772,589</u>	<u>18,344,539</u>
Total noncurrent liabilities	<u>589,462,506</u>	<u>620,206,605</u>
Current liabilities:		
Current maturities of bonds payable	20,565,000	19,765,000
Current maturities of drinking water loans payable	1,287,078	1,038,795
Accounts payable	3,950,576	3,718,783
Bond anticipation notes payable	50,500	5,848,723
Customer deposits and advances	1,570,542	1,214,980
Other accrued liabilities	<u>7,802,524</u>	<u>8,385,968</u>
Total current liabilities	<u>35,226,220</u>	<u>39,972,249</u>
Payable from restricted assets:		
Accounts payable for construction	1,519,934	1,865,412
Accrued interest payable	7,209,198	7,473,554
Customer deposits and advances	988,108	762,447
Total liabilities payable from restricted assets	<u>9,717,240</u>	<u>10,101,413</u>
Pollution remediation obligation	45,000	114,000
Total liabilities	<u>634,450,966</u>	<u>670,394,267</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	6,462,027	261,792
Deferred inflows related to OPEB	<u>4,764,299</u>	<u>4,087,099</u>
Total deferred inflows of resources	<u>11,226,326</u>	<u>4,348,891</u>
Net Position:		
Net investment in capital assets	69,168,630	49,683,274
Restricted	116,699,845	113,310,234
Unrestricted	<u>50,827,118</u>	<u>48,595,654</u>
Total Net Position	<u>\$ 236,695,593</u>	<u>\$ 211,589,162</u>

The accompanying notes are an integral part of these financial statements

CREDIT OPINION

7 December 2021


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South Central Connecticut Reg Water Auth, CT

Update to credit

Summary

The credit quality of the [South Central Connecticut Regional Water Authority](#) (SCCRWA, Aa3 stable) reflects SCCRWA's large and stable service area and strong water supplies, which are in contrast to gradually declining water usage and weak economic profile of its largest city. The rating is also driven by the system's effective management, which has produced steady revenue growth, reliable net revenues, satisfactory debt service coverage and healthy liquidity. Our view of the legal covenants, high leverage and considerable capital needs are also factored into its credit profile.

On December 2, we assigned an Aa3 to the SCCRWA's Water System Revenue Bonds.

Credit strengths

- » Large service area
- » Healthy water supplies
- » Strong liquidity
- » Consistent operating performance

Credit challenges

- » Weak resident wealth metrics
- » Long term trend of declining water usage
- » Elevated debt distribution

Rating outlook

The stable outlook is driven by our expectation that management will continue to raise rates as needed to offset the revenue impact of gradually declining consumption. The outlook also anticipates that the system will produce cash and debt service coverage consistent with current levels despite expected future issuances and growing capital repair costs to address aged infrastructure.

Factors that could lead to an upgrade

- » Material growth in annual net revenues resulting in higher debt service coverage
- » Sustained economic improvement to underlying service

- » Revenue growth that meaningfully reduces the debt burden

Factors that could lead to a downgrade

- » Sustained deterioration of cash or coverage
- » Weakened service area resulting material loss of customers or consumption

Key indicators

Exhibit 1

South Central CT., Reg. Water System

Source: US Census Bureau, South Central Connecticut Reg Wtr Auth's financial statements and Moody's Investors Service

Profile

The South Central Connecticut Regional Water Authority provides water service to 120,000 customers across 15 communities in south central Connecticut (Aa3 stable). The authority also furnishes water through wholesale agreements with Aquarion Water Company, the City of Meriden, and the Connecticut Water Company.

Detailed credit considerations

Service Area and System Characteristics: Large and stable service area, recent usage declines and strong water supplies

The SCCRWA service area is well sized and includes a population of approximately 502,000 people. We anticipate that the service area population will remain stable and provide a sufficiently diverse and reliable rate payer base.

The City of New Haven (Baa1 stable) is the largest community in the service area with about 130,000 people. The city also includes well below average 65% median family incomes and somewhat elevated unemployment relative to the state and nation. The weak resident wealth indicators of New Haven are counterbalanced by the institutional presence of Yale University (Aaa stable), several healthcare facilities, and large utilities. Most of the system's ten largest customers are entities within education, healthcare or utility. The largest communities other than New Haven include Milford (Aa1), West Haven (Ba3), and Hamden (Baa3), which have a combined population of 168,000 and 127% median family income.

The system's revenues are driven by residential water usage, which accounts for approximately 71% of operating revenue. From fiscal 2017 to 2020, residential water use fell from 9.6 million gallons to 9.2 million and drove an overall decline in water use from 14.3 million gallons in 2017 to 13.4 million in 2020. However, in 2021, overall water use increased to 14 million gallons primarily as a result of an uptick in residential water use as a function of greater numbers of people working from home amid the pandemic. This growth combined with rising wholesale water sales has been sufficient to offset a dip in commercial water use.

The system's water supply is derived from watersheds of the Housatonic River and Connecticut River. Water supplies will be comfortably sufficient to meet the system's needs given that current water usage is only 57% of the estimated safe yield, usage has been generally declining for the last several years and the resident population is unlikely to undergo any major growth. In addition, the system has approximately 1.5 years worth of stored water supply in reservoirs. This is a solid credit plus and provides strong flexibility to manage any unanticipated disruptions to supply.

Debt Service Coverage and Liquidity: Solid management that produces consistent operations, coverage and improved liquidity

The SCCRWA benefits from solid management that has produced consistent revenue growth even during periods of usage declines. This has allowed the system to also generate steady increases to net revenues, solid coverage and improved liquidity.

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.moody's.com for the most updated credit rating action information and rating history.

In anticipation of COVID-19 impacts that did not materialize as feared, the SCCRWA reduced its operating capital expenses, transferred money to its general fund reserve and delayed a planned rate increase. These actions allowed the SCCRWA to limit expenditure growth and generate sound net revenue.

Debt service coverage levels by net revenue for fiscal 2021 (ending May 31) was 1.7 times (GAAP basis, excluding PILOT payments which are subordinate to debt service). Per the authority's covenants, revenue is calculated on a cash basis rather than an accrual basis. On a cash basis per the indenture, fiscal 2021 net revenue provided 1.28 times coverage inclusive of PILOT payments and 1.48 times exclusive of PILOT payments.

Despite an average annual consumption decline of approximately 1.1% between 1999 and 2020, 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. This trend will continue in January when SCCRWA currently anticipates an additional 6.5% rate increase that will keep fiscal 2022 coverage generally line with current levels.

Liquidity

The authority's overall liquidity is healthy. While the authority's unrestricted cash and investments totaled 208 days cash on hand, it benefits from reserves in multiple other funds that materially broaden its cash. These sources are locally restricted but legally available to use to support operations of debt service. The authority maintains a rate stabilization fund which has a balance of \$10 million as of fiscal 2021. Favorably, the authority has not drawn on the fund since fiscal 2010. Additionally, the authority also has balances (as of fiscal 2021) in its Operating Reserve (\$10.2 million) Capital Contingency Fund (\$6 million), Debt Service Fund (\$29.2 million) and Debt Reserve Fund (\$21 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: Solid legal covenants and elevated debt

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.

After the sale of the 2021 bonds, the authority will have approximately \$537 million in outstanding water debt. Though this is a substantial amount of leverage, we anticipate that the continued implementation of regular rate increases and budget controls will keep the burden manageable despite the expected issuance of new debt every 1.5 to 2 years. Future debt issuances may also be reduced by the receipt of federal funding.

Though nearly 30% of the system's 1,700 miles of water mains are more than 60 years old, the breakage rate was only 4 per 100 miles and well below the industry standard. Much of future debt issuances will be aimed at addressing the capital needs of the authority's treatment plants that have an average age of approximately 35 years.

Legal security

The Thirty-sixth Series Bonds and outstanding parity debt are general obligations of the authority payable from and secured by a pledge of net water revenues.

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. As of May 2021, SCCRWA's two plans have a combined net liability of \$9.6 million. Favorably, the authority is making efforts to address this liability and is working to fully fund the liability by approximately 2025. To this end, in fiscal year 2021, the Authority contributed \$4.3 million to the pension plans, which was \$1 million greater than the actuarial required contribution.

The authority's OPEB liability is manageable at \$17.7 million (May 2021 valuation). The authority has met its actuarially determined contribution of \$1.7 million, which is a modest portion of operating revenues.

ESG considerations**Environmental**

The authority has moderately negative environmental risks associated with the physical risk of climate change driven primarily by its exposure to sea level rise and hurricanes. These exposures are somewhat reduced by federal government support for disaster recovery costs and ongoing improvements to roads, streets and drainage infrastructure.

Social

New Haven, the authority's largest city, has below-average metrics with respect to the city's educational attainment, labor and income, which trails the state and nation. However, credit risks attendant to the provision of housing, basic services and health and safety are generally low.

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. Management has also implemented a variety of policies and practices over the last decade that have helped produce stable and consistent operations.

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February 14, 2023

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Re: Issuance Test Rate Application (January 26, 2023) – Responses to OCA’s First Set of Interrogatories

Dear Mr. Donofrio:

Please see the Authority’s responses to interrogatory #1 in the first set of interrogatories issued by you on behalf of the Office of Consumer Affairs on January 26, 2023.

As noted in the attached, the response to interrogatory #2 has previously been provided.

If you have further questions, please do not hesitate to contact us.

Regards,



Rochelle Kowalski
Vice President & Chief Financial Officer

cc: David J. Borowy
Kevin J. Curseaden
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INTERROGATORIES

1. *On Page 19 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 July 2022-June 2023. 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 February 23, 2023 public hearing, update the schedule of historical revenues to include/reflect actual revenues through the periods ending December 2022 and January 2023.*

Please see Attachment A.

2. *On pages 32-33 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 respective December 2021 S&P and Moody's ratings reports.*

Response previously provided on February 1, 2023.

ATTACHMENT A

The schedule below reflects the update for actuals, through January 31, 2023, to the twelve-month historical periods. In the first updated schedule, no re-projections of February through June 2023 have been made. In the second updated schedule, public fire and BABs have been re-projected. Public fire was re-projected as cash receipts will not exceed the amount billed. BAB's was also re-projected, as we will not receive an additional BABs payment in February since the payment was received in January. No other re-projections were made. See below for further variance analysis.

As Submitted:

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABs Subsidy	Total Collections
	(\$000 omitted)					
Jan 22 - Dec 22	\$125,028	\$8,411	\$6,971	\$1,380	\$657	\$142,447
Feb 22 - Jan 23	124,624	8,553	6,965	1,644	657	142,443
Mar 22 - Feb 23	119,126	8,295	6,995	1,895	657	136,968
Apr 22 - Mar 23	117,009	9,040	7,131	2,117	657	135,954
May 22 - Apr 23	116,836	9,040	7,257	2,368	657	136,158
Jun 22 - May 23	116,313	9,040	6,846	2,600	657	135,456
Jul 22 - Jun 23	116,011	9,040	6,996	2,744	657	135,448

Updated for actuals through January, 2023:

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABs Subsidy	Total Collections
	(\$000 omitted)					
Jan 22 - Dec 22	\$125,343	\$8,409	\$6,918	\$1,466	\$657	\$142,793
Feb 22 - Jan 23	125,450	9,786	7,014	1,843	986	145,079
Mar 22 - Feb 23	119,952	9,528	7,045	2,094	986	139,605
Apr 22 - Mar 23	117,835	10,273	7,181	2,316	986	138,591
May 22 - Apr 23	117,662	10,273	7,306	2,567	986	138,794
Jun 22 - May 23	117,139	10,273	6,896	2,799	986	138,093
Jul 22 - Jun 23	116,837	10,273	7,046	2,943	986	138,085

Updated for actuals through January, 2023 - with Public Fire and BABs Reprojection:

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABs Subsidy	Total Collections
	(\$000 omitted)					
Jan 22 - Dec 22	\$125,343	\$8,409	\$6,918	\$1,466	\$657	\$142,793
Feb 22 - Jan 23	125,450	9,786	7,014	1,843	986	145,079
Mar 22 - Feb 23	119,952	8,740	7,045	2,094	657	138,488
Apr 22 - Mar 23	117,835	9,055	7,181	2,316	657	137,044
May 22 - Apr 23	117,662	9,055	7,306	2,567	657	137,247
Jun 22 - May 23	117,139	9,055	6,896	2,799	657	136,546
Jul 22 - Jun 23	116,837	9,055	7,046	2,943	657	136,538

Variance (Submitted vs Actual through January, 2023)

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABs Subsidy	Total Collections
	(\$000 omitted)					
As Submitted:						
Jul 22 - Jun 23	\$116,011	\$9,040	\$6,996	\$2,744	\$657	\$135,448
Updated:						
Jul 22 - Jun 23	116,837	10,273	7,046	2,943	986	138,085
Variance:						
Jul 22 - Jun 23	\$826	\$1,233	\$50	\$199	\$329	\$2,637

Variance (Submitted vs Actual through January, 2023 - Public Fire and BABs Reprojected)

Twelve Month Period	Water & Private Fire	Public Fire	Other	Invest	BABs Subsidy	Total Collections
	(\$000 omitted)					
As Submitted:						
Jul 22 - Jun 23	\$116,011	\$9,040	\$6,996	\$2,744	\$657	\$135,448
Updated:						
Jul 22 - Jun 23	116,837	9,055	7,046	2,943	657	136,538
Variance:						
Jul 22 - Jun 23	\$826	\$15	\$50	\$199	\$0	\$1,090

(in millions of dollars)

Category	Variance	Explanation & Summary for July 22 – June 23
Water and Private Fire	\$884	Water Only: The metered water billings for the combined months of December and January were approximately \$186,000 above our projections at the time the rate application was filed. However, the increase in cash receipts associated with billings is primarily related to the timing of cash receipts, with the conversion of billings to cash receipt being earlier than anticipated in both months. (That is, the percent of cash receipts on January billings in January was higher than estimated, as was the percent of cash receipt on December billings received in both December and January.) While this earlier conversion to cash may continue in subsequent months, this is not a certainty and the overall percentage of cash received on billings is not expected to have a significant increase over a twelve-month period versus our projections. There is approximately \$306,000 of this favorable variance that is associated with cash receipt on billings outside of one year.
	(\$58)	Private Fire: This variance is due to cash receipt associated with monthly private fire billings. This variance is primarily from December. We have slightly lowered our private fire cash receipt projection for fiscal 2023.
	\$ 826	Total Water and Private Fire Variances
Public Fire	\$1,233 (unadjusted) \$15k (re-projected)	The unadjusted over run is due to the timing of cash receipt on our January semi-annual public fire billings. However, we will not collect in excess of the billings. Therefore, the re-projected favorable variance is approximately \$15,000 due to January’s public fire billings being slightly higher than estimated.

Non-Water Sales	\$50	This small variance is due to a \$106,000 update related to final November results, small true-ups recorded in December and January, and other net changes.
Interest Income/BAB's	\$528 (unadjusted) \$199 (w/BABs re-projected)	<p>The Build America Bonds (BAB's) subsidy payment of approximately \$329,000 was received in January but was projected to be received in February. There will not be an additional \$329,000 this fiscal year or in the period July 2022 through June 2023.</p> <p>There is also approximately \$199,000 in favorable variance due to investment earnings. Due to the further increase in interest rates since the rate application was filed. We are now projecting higher investment earnings. There is not certainty regarding the interest rate environment during the period that the rate application covers and; therefore, uncertainty regarding our interest income.</p>
	\$2,637 (unadjusted) \$1,090 (w/public fire and BABs re-projected)	Total variance for July 2022 to June 2023 historical period.

Additional comments: There is also uncertainty regarding the overall economic environment that may affect customers' ability to pay during the period covered by the rate application. In addition, we would still project an approximate 1% year-over-year declining trend in billed consumption, affecting cash receipts.

Memo

To: Representative Policy Board
From: Office of Consumer Affairs (“OCA”)
Jeffrey M. Donofrio, Esq.
Date: February 16, 2023
Re: Authority’s Issuance Test Rate Application

I. INTRODUCTION

On January 3, 2023, 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 \$6,970,000.00 in annual revenues to meet the issuance test under the Authority’s General Bond Resolution. The increase sought is 5.3% more than the revenues expected to be realized during the twelve-month period ending June 30, 2023. The requested rate increase for the typical residential customer amounts to 5.5% (\$2.47 per month).¹ The requested rate increase, if approved by the RPB, would be effective in July 2023 and follows an overall rate increase of 6.2% to metered customers, effective in January 2022. If the RPB approves the Application, the Authority will issue up to \$37 million of Water System Revenue Bonds (“Bonds”) in July 2023 to finance the Authority’s capital improvement program (“CIP”) for the eighteen-month period ending December 31, 2024.

The CIP during the eighteen-month period covered by the Application averages expenditures of approximately \$57.5 million/year. Several large projects, including the improvements to the Lake Whitney Dam & Spillway, the Customer Information System replacement, the Lake Gaillard Water Treatment Plant HVAC and clarifiers project, and the Spring Street Pump Station project, will be funded in part during the period covered by the Application. The financing requirement in the Application incorporates the use of approximately **\$45.5 million of internally generated funds**. The use of \$45.5 million of internally generated funds lowers debt service by approximately \$3.0 million. This represents a new high in terms of the use of internally generated funds to pay for the CIP and illustrates the significant progress by the Authority with respect to a crucial endeavor: the Authority’s reduction of its dependence upon the issuance of debt to fund its CIP. Reduction of the Authority’s debt-to-capital ratio has been (for good reason) a regular topic of discussion amongst the RPB, the Authority and the OCA over the past 13 years. In 2010,

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

the Authority developed both short-term and long-term plans to attack its financial weaknesses. The Authority implemented measures to reduce 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 annual budgeting process, proceedings on applications to the RPB, and issuance test rate application proceedings allow for a deeper look at the Authority's financial management practices and progress achieved to date. With the support of the Five Member Authority and the RPB, the Authority has stayed on course in its execution of its long-term plan. Successful implementation of the plan is evident in multiple ways; for example, the last three issuance test rate applications have utilized a total of \$95.5 million of internally generated funds, lowering debt service by approximately \$6 million.

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 29 of the Application, FY'29 is the year that the Authority is expected to pay the maximum annual debt service (\$54.620 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.

The RPB's Finance Committee deemed the Application to be complete at its January 9, 2023 meeting. The OCA issued Interrogatories to the Authority on January 26, 2023. The Authority provided its responses to the OCA's Interrogatories on February 1 and 15, respectively. A proposed resolution approving the issuance of the Bonds is part of the

Application (pages 74-77). A Public Hearing on the Application is scheduled for February 23, 2023.

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 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 July 2023 is January 2022 through June 2023. As set forth on page 19 of the Application, the Authority selected the twelve months from July 2022 through June 2023 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 January 31, 2023, by providing actual revenues. The Authority's February 15, 2023 interrogatory response provides actual revenues for December 2022 and January 2023; the variance between the estimated revenues used in the Application and the actual revenues through January 2023 reflects actual revenues approximately \$2.637 million above the revenue projections in the Application and is attributable, primarily, to the timing of collection of public fire revenues and other cash receipts. In its February 15th Interrogatory response, the Authority reprojected public fire revenues and Build America Bond subsidy payments; when the reprojected numbers are applied in conjunction with actual revenues through January 31st, the variance is reduced to \$1.090 million. The twelve-month period selected by the Authority remains the lowest twelve month period in the eighteen months preceding the issuance of the Bonds.

This is the eighth 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/long-term downward trend in draft. Active and passive conservation, wetter than normal weather conditions and, perhaps, higher rates, point towards continued reduction in consumption. In connection with the Authority's 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.

The Authority must continue to weigh trends and patterns in household water usage when engaged in its planning endeavors. Customers are best served by realistic revenue projections; 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 once again opted not to allocate funds from the RSF to meet the issuance test. The Authority, for the reasons set forth on pages 32-33 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. At some point, it will likely become appropriate to utilize the RSF to mitigate the impact of a proposed rate increase. However, we have not yet reached that point. As highlighted in the December 2021 ratings reviews by S&P and Moody's, respectively, the RSF remains a key attribute of the Authority's liquidity. Liquidity is a major concern given the structure and history of the Authority and is a key metric considered by the rating agencies. S&P considers the Authority's liquidity position to be "steady," but this opinion includes the \$10 million in the RSF; Moody's similarly notes that "The authority maintains a rate stabilization fund which has a balance of \$10 million as of fiscal 2021. Favorably, the authority has not drawn on the fund since fiscal 2010." Both S&P and Moody's have consistently made clear that the Authority's liquidity position is an aggregate of multiple funds, including the RSF. Similarly, both S&P and Moody's have consistently stated that erosion of liquidity/cash could result in a lower rating of the Authority's debt.

To reiterate, the significant improvements in the Authority's financial condition over the past decade, including its liquidity, do cause the OCA to consider urging the Authority to utilize a portion of the RSF to mitigate the proposed rate increase. However, despite the significant progress made over the past 12+ years, the Authority remains highly leveraged (71% debt-to-capitalization ratio prior to the proposed issuance) and cash reserves (including the RSF) are still critically important to the execution of the Authority's long-term plan. The simple reality is that despite the tremendous improvements made in the Authority's financial condition over the past 12+ years, 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. 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. Remarkably, since 2008, residential consumers in the region have been faced with a variety of local, state and national economic challenges. 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 capital program. Simply stated, the need to finance a significant portion of the annual capital budget with debt and the requirement to meet the issuance test to do so causes rate increases. As reflected on page 21 of the Application, without the Bonds and at the present rates, the Authority would incur a shortfall (under the Maintenance Test) of approximately \$2.449 million in FY2024; with the issuance of the Bonds and at the present rates, the shortfall would be approximately \$4.231 million.

Over the past 13 years, the Authority has implemented significant changes, on an ongoing basis, to (1) reduce and make more efficient its CIP; (2) reduce its reliance upon the issuance of debt to fund its CIP (primarily by increasing the debt service coverage and incorporating depreciation expense into the calculation of net revenues and using internally generated cash to fund a portion of the CIP); (3) improve its operating efficiency; (4) implement business case analyses to complement the capital project vetting process; and (5) consistently strive to improve its project approach and project management processes.

The OCA recollects that at the onset of the Authority's quest to "right size" its CIP while also decreasing its reliance upon the issuance of debt to fund the CIP, the Authority engaged Louis Berger f/k/a Leidos f/k/a SAIC f/k/a R.W. Beck ("Berger") to aid it in improving the efficiency of the CIP. Berger authored a comprehensive report containing a

wide variety of recommendations. The Authority successfully implemented many of the recommendations made by Berger. However, the Authority has not, over the past 13 years, approached improvement as a goal; instead, increased efficiency is a strategy and the goal is to be a best in class water utility. Accordingly, 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 has implemented some of GHD's recommendations in its five-year CIP. As reflected by applications to the RPB in connection with large capital projects (*e.g.*, the Lake Whitney Dam and Spillway Improvements Project), the Authority thoroughly develops and analyzes alternatives when considering large capital projects. Exhaustive evaluation of feasible alternatives is a best practice both in terms of project planning and with respect to controlling costs and risks.

The cost-of-service study from Raftelis, dated July 8, 2021, was the third cost-of-service study obtained by the Authority in ten years. The 2012 cost-of-service study was the first since 2005; the OCA generally believes that a cost-of-service study every 5 years is appropriate. The Application relies upon the 2021 cost of service study (no rate design changes are proposed in the Application).

The Authority's stated 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 ratings reviews in recent years (including the December 2021 reviews). The Authority has demonstrated an ability to perform at a high level despite prolonged 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 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 13 years, successfully mitigated the effects of the foregoing and as a result, the Authority is better positioned for long-term viability. The progress made is undeniable; yet the need to stay the course by continuing to execute the long-term plan with discipline has not diminished. The OCA has observed that the RPB and the Authority have worked together in a collaborative and productive manner to identify and achieve efficiencies and vastly improved financial performance without sacrificing the quality of the Authority's services.

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. Regardless, we all recognize that the hill is steep, and the Authority is not near the top yet. The Authority's long-term debt is still an albatross. The OCA acknowledges and appreciates that both the Authority and the 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 most importantly because the long-term viability of the Authority is enhanced by the continued reduction of its debt. The Authority recognizes the need to increase top line revenue growth through non-core pursuits while protecting consumers from undue risk; however, significant revenue growth in the face of declining consumption is a challenge. With respect to non-core business opportunities, the OCA recognizes that identifying appropriate, low risk non-core investment opportunities is a significant challenge; in addition, the most appropriate opportunities will yield a favorable ROI but will not, in all likelihood, equate to large net dollars. The OCA is pleased that the Authority has improved its approach to evaluating non-core opportunities. The OCA also notes that the Authority has continued to sharpen 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 \$1.5 million depreciation expense (for a total of \$9.0 million). The foregoing initiatives are consistent with the Authority's long-term plan. To be clear and to ensure transparency: the 114% debt service coverage ratio and the gradual 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 fact that the Application includes the use of approximately \$45.5 million of internally generated funds, reducing debt service by \$3,000,000, is proof of the efficacy of the strategic plan. The foregoing have been significant tools utilized by the Authority in the last eight 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 in December 2021 from S&P and Moody's, respectively, reveal an analysis consistent with the foregoing. However, despite recognizing that the Authority's liquidity has consistently strengthened recently, S&P 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 expressed similar opinions. The Authority's financial plan is well conceived, has thus far been well executed. 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 Authority must also increase its focus on succession planning, given the percentage of employees eligible for retirement.

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 25 of the Application, budgeted payroll, and employee benefits costs for FY'24 represent approximately 55.5% of the Authority's O&M expenses. This represents continued successful cost management by the Authority in these areas. The Authority has been scrutinizing its operations for the past 13 years, continuously striving to identify weaknesses/vulnerabilities, adopt best practices and improve the way it does business. The OCA is confident that the Authority will continue to focus on improving operational efficiency (including an even stronger focus on asset management) and further decreasing its dependence upon the issuance of debt. The OCA appreciates that the employees of the Authority are hard-working, dedicated, talented individuals who work together as a team for the benefit of the Authority's customers. As is the case in most organizations, discussions about wages and employee benefits tend to be particularly challenging. The OCA appreciates the work done to date in this regard.

III. CONCLUSION

The OCA recommends approval of the Application. The Application reflects significant tangible benefits realized from the Authority's implementation and successful execution of its long-term plan. The Authority's use of \$45.5 million of internally generated funds (on the heels of using \$20.1 million of internally generated funds in connection with the prior issuance test rate application 18 months ago) results in a substantial reduction to the Authority's dependence upon the issuance of debt to fund its capital program. The OCA recognizes that consumers have, over the past 18 months, endured the highest inflation rates in decades. Thus, the OCA is concerned about the effect of a rate increase upon consumers. The local economy remained sluggish prior to the COVID-19 pandemic and the risk of recession is real. However, 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. In response to the challenges presented by the COVID-19 pandemic, the Authority delayed its prior issuance test rate application by a year.

The OCA is confident that the Authority's long-term plan is working; the Authority's financial performance in the last nine fiscal years demonstrates the Authority's successful

implementation and 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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EXHIBIT G

Issuance Test Rate Application

Issuance Test Rate Application Presentation

February 23, 2023

Agenda

- Rate Making Process
- Application Overview
- Customer Assistance Programs
- Recent Actions to Mitigate Increase
- Issuance Test Details
- Summary
- Appendix – Historical Perspective



Rate Making Process - Prescribed

- Historical revenues (12 consecutive months)
- Expenses for rate year:
 - O&M
 - PILOT
 - Depreciation
- New debt requirements to finance 18 - month capital program
- Maximum debt service
- Revenue requirement/rate increase to meet coverage test

Application Overview

- 18-month Issuance Test Rate Application
- Requested revenue increase of \$6.970 million
- **5.3%** overall increase for 18 months
 - Inflation rate ~8%
 - No increase in coverage ratio (1.14)
 - Depreciation increase of \$1.5 million
 - Total depreciation \$9.0 million in application
- **\$45.5 M** internally generated funds to mitigate financing
 - Following depletion of debt proceeds, internal funds will fund capital through June of fiscal 2024
- Lower cost financing
 - Multiple CT DWSRF loans and grants
 - Favorable impact of prior refinancing



Application Overview (cont.)

- “The Typical” (vs. average) 5/8” metered residential customer
 - “Typical” is the median - 50% higher and 50% lower
 - Representative of 5/8” metered residential customer
- Increases for “typical” 5/8” metered residential customer using 5 ccf or approximately 3,740 gallons/month:
 - 5.5%, annually;
 - \$2.47 per mo.;
 - 8 cents per day
- Existing Annual Residential Bill: \$537.36 Proposed: \$565.32
- **Cost of water still about a penny per gallon**



Application Overview (cont.)

- Average 5/8" metered residential customer
- Increases for "average" 5/8" residential customer using approximately 8 ccf or 5,984 gallons/month:
 - 5.5%, annually;
 - \$3.26 per mo.;
 - 11 cents per day
- Existing Annual Residential Bill: \$707.28 Proposed: \$746.40
- **Cost of water still about a penny per gallon**



Application Overview (cont.)

- Wholesale Water Rate
 - Old methodology \$2,931 to \$3,107 per million gallons
 - 5.8% increase
 - New methodology \$3,426 per million gallons
- Additional/Modified Miscellaneous Charges
 - Economic Development – revised discount period
 - Failure to Provide Access
 - Land Records Filing Fee
 - Updated cost estimates for misc. charges
 - Approximately \$31,000 of rate increase from misc. charges

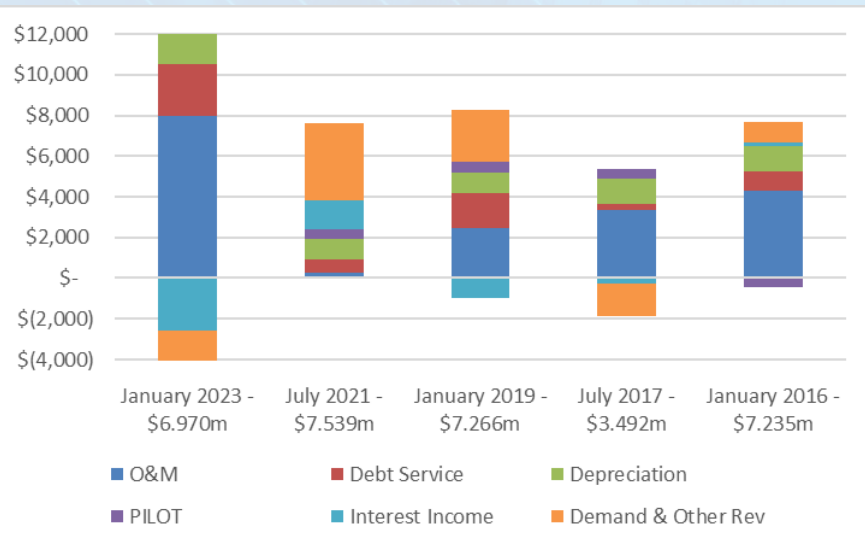


Application Overview (cont.)

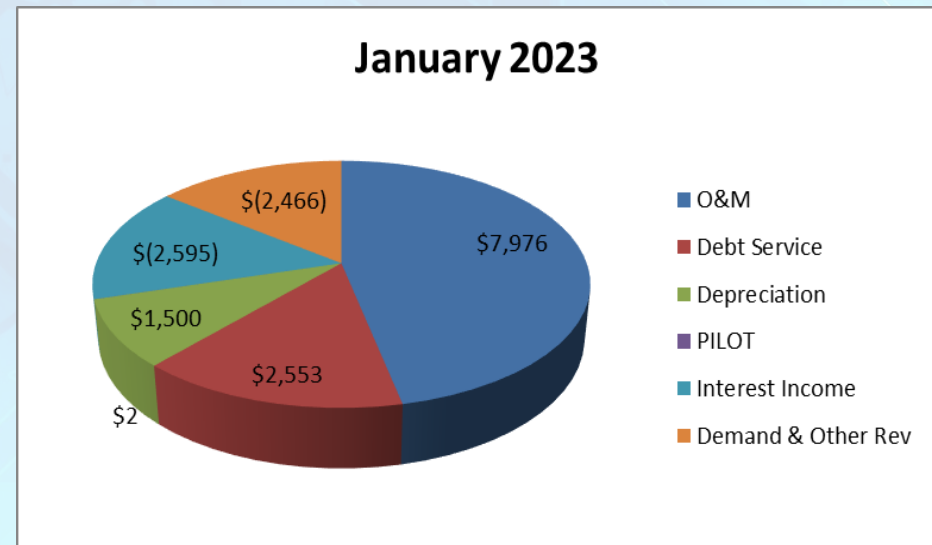
Issuance Test – Components of Current & Recent Rate Increases

Key Takeaway: As noted in the October 2022 ten-year model, a driver of the proposed increase is operating expense. Interest income and water revenues have an offsetting/favorable impact.

(\$000 omitted)



(\$000 omitted)



Customer Assistance Programs

- Low Income Household Water Assistance Program (LIHWAP)
 - Federally through Department of Social Services
 - Program is in second year
 - Funded – American Rescue Plan Act
 - In CT, administered One time assistance up to \$1,000
- RWA Water Assistance Program
 - Started in calendar 2016/fiscal 2017
 - Administered by Dollar Energy
 - Residential \$175 grant (can apply every 12 months)
 - With COVID, added program for small commercial and industrial





Recent Actions to Mitigate Increase



Annualized Savings Summary

• Debt Service	\$ 3,262,846
• PILOT	<u>12,303</u>
Total	\$ 3,275,149

- Strategic approach to contract/renewal resulted in O&M savings; however, these savings may not be recurring
- Vacant and new positions thoroughly vetted with justification analysis

Reflects savings since last rate application (filed July 2021)

Debt Service Annualized Savings

• Series Refinancing:	
▪ 36 th Series A-1: \$1,553,142 total savings	\$ 51,150 (max debt yr.)
▪ 36 th Series B-1: \$1,209,539 total savings	<u>180,325</u> (max debt yr.)
	\$ 231,475
• Avoided Financings	
▪ Internally generated funds (total \$45,515,950)	\$ 2,960,878
▪ Grants – DWSRF Forecasted (add'l \$875,000)	56,920
▪ Open Space & Other Savings (total \$196,889)	<u>13,573</u>
	\$3,031,371
Total Debt Service Savings	\$3,262,846



Issuance Test Details



Revenues

(\$000 Omitted)

	Net water sales collections	Non- water sales	Interest Income	BABS Subsidy	Total Collections	
Jan 22 - Dec 22	\$ 133,439	\$ 6,971	\$ 1,380	\$ 657	\$ 142,447	estimated
Feb 22 - Jan 23	133,177	6,965	1,644	657	142,443	estimated
Mar 22 - Feb 23	127,421	6,995	1,895	657	136,968	estimated
Apr 22 - Mar 23	126,049	7,131	2,117	657	135,954	estimated
May 22 - Apr 23	125,876	7,257	2,368	657	136,158	estimated
Jun 22 - May 23	125,353	6,846	2,600	657	135,456	estimated
Jul 22 - June 23*	125,051	6,996	2,744	657	135,448	estimated

* Selected Period



Operating & Maintenance Expense

(\$000 Omitted)

	Projection 7/1/23 to 5/31/24	Projection 6/1/24 to 6/30/24	Pro Forma Year 7/1/23 to 6/30/24
Payroll	\$ 23,914	\$ 2,305	\$ 26,219
Employee benefits	11,482	1,092	12,574
Outside services	3,706	345	4,051
Maintenance and repairs	3,638	338	3,977
Pump power purchased	3,502	326	3,827
Info. systems maintenance fees	3,050	307	3,357
Chemicals	2,532	236	2,767
Insurance/Worker's Comp./Damages	1,744	162	1,907
General and administrative	1,448	135	1,583
Utilities and fuels	1,505	140	1,645
All Other	7,084	658	7,742
Total	\$ 63,606	\$ 6,043	\$ 69,648

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)	\$ 69,648	
PILOT (see page 32 for detail)	9,150	
Debt Service @ 114% (see page 30 for detail)	51,946	
Payments on proposed bonds @ 114% (see pages 28 & 29 for detail)	2,674	
Depreciation	9,000	
Revenue requirements	<u>142,418</u>	
Reduction for subsidy received in twelve month period	(657)	
Reduction for historical interest income received in twelve month period (see page 20)	<u>(2,744)</u>	
Minimum amount to be raised from water revenue and non-water revenue	139,017	(A)



Issuance Test

Issuance Test:

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

Historical revenues for period of twelve consecutive months (see page 20)

Water revenue	\$125,051	
Non-water revenue	<u>6,996</u>	
		<u>132,047</u> (B)
Minimal additional revenue required (A) - (B)		<u>\$ 6,970</u>
Minimal additional revenue resources		
Rate stabilization fund	\$ -	
Increase rates and charges	<u>6,970</u>	(C)
	<u>\$ 6,970</u>	
Minimal additional revenue required as a percentage (C) / (B)		<u><u>5.3%</u></u>



Summary

- Reflects continued execution against strategic plan
- Preserves financial stability, while recognizing customer impacts
- Demonstrates importance of internal generation of funds
- Includes cumulative benefit of refinancing
- Incorporates lower cost financings and grants
- \$45.5M of capital program financed with internal funds
- \$28.1M in savings since 2009 mitigates rates by approx. 22%
- **Strategic policy changes deliver customer benefits**



Questions





Appendix - Historical Perspective



Where we were

1980

Insufficient Revenue Requirements

1980

No Provision for Internally Generated Funds

1980

Refinancing with extended maturities

1986

Elimination of debt reserves

2001

Extended Debt Maturities
20 to 30 years

2002

Pension Fund Deficiency From Inflated Return

2005

2009

Result::

Significant Financial Challenges

Successful Execution; Innovative Solutions

No Provision
for Internally
Generated
Funds

Extended
Debt
Maturities

Insufficient
Revenue
Requirements

Pension Fund
Deficiency
From Inflated
Return

Prudent Approach
to Pandemic
Uncertainties

Pursuing
Lower Cost
Financing &
Grants

Improving
Funded
Status
of Pension
Plans

Replenished
Reserves

Advanced
Long-Term
Strategy to
Generate
Funds
Internally

Established
Robust
Evaluation
Tools

Developed,
Implemented
Strategic
Plan

Results Since 2009:

- ✓ \$28.1 M savings
- ✓ Mitigated rates by approx. 22%
- ✓ Internal generation of funds
- \$142M for capital program & reserves
- ✓ Lower reliance on debt/reduce leverage
- ✓ Alternative funding sources
- ✓ Credit rating upgrades
- ✓ Twelfth year of no draw from RSF
- ✓ Pension contributions above the ARC



Regional **Water** Authority
Tapping the Possibilities™