



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

South Central Connecticut Regional Water Authority
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January 9, 2023

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

Re: Issuance test rate application

Ladies and Gentlemen:

We are submitting the enclosed issuance test rate application and request that the Representative Policy Board (“RPB”) schedule a public hearing in February 2023.

Please note that the “Action” tab of this application includes a proposed resolution by the RPB authorizing an increase in water rates in connection with the Authority’s issuances of its Water System Revenue Bonds, expected to be issued in July 2023, and Project Loan Obligations, also issued under the General Bond Resolution, to finance its capital improvement program for the period July 2023 through December 2024.

The Authority proposes an increase in revenue of \$6.970 million equivalent to a 5.3 % overall increase over the historic twelve-month period chosen for this issuance test. The effect of this application on the water bill of the Authority’s average residential customer would be an increase of approximately \$3.26 per month, 11 cents per day, or approximately 5.5% and for the typical residential customer an increase of \$2.47 per month, 8 cents per day, or approximately 5.5 %. The percent increases are less than the inflation rate of approximately 8% since the Authority’s July 2021 rate application filing.

The capital improvement program (“CIP”) during the eighteen month period covered by this application averages approximately \$57.5 million annually, excluding monies to be held in reserve at the end of fiscal 2023. The capital spending incorporates the three R’s, Risk, Resiliency, and Redundancy, the approach to capital planning presented with the October 2022 ten-year model. A few examples 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.

Given the declining trend in draft of approximately 1% annually since 1999, the RWA has worked continuously over the past fourteen years to implement efficiencies in both capital and operating expenditures. Notwithstanding the proposed increase in water revenues, this filing includes the following efficiencies achieved subsequent to the July 2021 rate application:

- This application incorporates the lower interest expense associated with the January and May 2022 refinancing, reducing debt service by approximately \$231,000 in the maximum debt year in this application. Prior refinancing also favorably affects this application.

- The financing requirement in this application incorporates the use of approximately \$45.5 million of internally generated funds. This lowers debt service by approximately \$3.0 million.
- Savings also includes CT DWSRF and open space grants, DWSRF projected grants, and other savings resulting in lower debt service of approximately \$79,000.

In summary, these actions result in debt service savings of approximately \$3.3 million.

- This application also incorporates approximately \$12,000 in PILOT savings.

Applying a strategic approach to contract extension/renewal, there have also been operating expense savings. While this strategic approach will continue, the particular savings achieved (e.g., gasoline and diesel) may not be recurring and are not included below.

Through its strategic initiatives, RWA continues to work to achieve operating and capital efficiencies. At the time of the July 2021 rate application, approximately \$24.8 million in savings had been identified since 2009, the time the initial (2009 to 2014) strategic plan was implemented, resulting in water rates being lower than they would have otherwise been by approximately 21%. With the additional items noted above, the total savings are approximately \$28.1 million, resulting in water rates being lower than they otherwise would have been by about 22%.

This rate application continues the 114% coverage requirement and includes a \$1.5 million increase in depreciation expense to continue to improve internal generation of funds that are necessary to sustain reserves, fund a portion of the capital program, and reduce debt leverage. These changes were developed in collaboration with the Authority board, the RPB, and management to strengthen the RWA and help fund its capital improvement program through the internal generation of funds.

Water rates and related charges will be adjusted at the time of the sale of the Bonds in accordance with the table on page 30 of this January 2023 rate application to reflect the effective yield on the bonds and resulting debt service at the time of issuance.

With July 2023 being the expected effective date of this issuance test rate application, it will be approximately eighteen- months since the last rate increase. The proposed increase in water rates will provide the Authority with funds necessary to maintain its capital improvement program, reduce debt leverage, and continue essential maintenance programs to provide the level of service, of which we are proud, from approximately July 2023 through December 2024.

Cordially,

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

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PREFACE

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

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

Section One: Introduction

1. Nature of the application and its key elements

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

a. Statutory reference:

The South Central Connecticut Regional Water Authority's (the "Authority") enabling legislation, adopted by the Connecticut General Assembly in 1977, is *Special Act 77-98, as 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	<u>112,175</u>	<u>110,640</u>	<u>110,733</u>
<u>Fire service revenue:</u>			
Private	3,024	3,024	3,024
Public	9,041	9,041	9,041
Total fire service	<u>12,065</u>	<u>12,065</u>	<u>12,065</u>
Wholesale revenue	<u>1,112</u>	<u>1,111</u>	<u>1,090</u>
Subtotal water revenue	<u>125,353</u>	<u>123,816</u>	<u>123,888</u>
Miscellaneous & Facility charges	1,259	1,259	1,259
Other revenue	5,587	6,634	6,634
Total revenue	<u>\$ 132,199</u>	<u>\$ 131,709</u>	<u>\$ 131,781</u>

**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	Total Aggregate	Debt Payments	Proposed DWSRF			Total	Total Aggregate
			Coupon	Principal	Interest				Coupon	Principal	Interest		Debt Payments
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	
	<hr/>	
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

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Introduction

The issuance test for the Authority’s proposed Water System Revenue Bonds (“the bonds”) requires that the Authority increase its revenues by approximately 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> in 100 cubic feet (ccf) (1)	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.

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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	850	920	8.2%
(existing rate includes 80,000 gallons)			
Tank truck water annual charge	80	98	22.5%
(plus: water rate at 5.030 per ccf applicable)			
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.

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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.

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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 revenues</u>	<u>Existing rates</u>	<u>Proposed rates</u> *	<u>Revenues at 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	
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	\$ 151,520			\$ 157,975

* 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</u> <u>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)

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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

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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 *not currently in use	per million gallons
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.

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(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:

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	<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.

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