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

February 28, 2022
Meeting Transcription

Stephen:

We'll call the meeting to order then. February. Start with the safety moment, and think about heart disease, risk factors. Good information. Please take a look. I can tell you a personal story. A friend of mine recently had chest pain, was not sick before that. And his wife said, "Do you want me to drive you to the hospital?" And he made a decision that saved his life. He said, "No, call 911." Because he coded on the way to the hospital, and if he had driven himself, he'd be dead now. So, you got to take those things seriously. Moving on. Approval of the minutes is our second item. Do I have a motion?

Naomi:

I still move.

Stephen:

Thanks, Naomi. Second? Do I have a second from somebody?

Mark:

I'll second it.

Stephen:

Oh, Mark. Thanks. Okay. Are there any omissions, corrections? Any other suggestions on the minutes? Hearing none. All those in favor? Aye.

Naomi:

Aye.

Stephen:

Mark, you in? Did we get enough? Jennifer, we get enough votes on that?

Jennifer:

Yes.

Stephen:

Nobody voted against it, I don't think.

Jennifer:

Yeah. Nope. You're set.

Stephen:

Yep. And nobody opposed? Okay. Item three is our update today from Rochelle. We're very happy to have her here. Thanks for coming, Rochelle. I'll turn it over to you.

Rochelle:

Okay. Thank you for the invitation. Jennifer, if you can go to really the second, and really the one page. So really the overall key takeaway is, we are executing on our commitment to monitor refinancing opportunities. Some of you may recall, when we go through our model or we go through the budget, we talk about, there's a few different opportunities that we can avail ourselves of and we have availed ourselves of regarding refinancing. You may recall that recently, excluding the 36th series, we did a few taxable advance. Because given some of the changes in the tax laws, we can no longer do advanced refunding that is tax-exempt. So, we've availed ourselves of taxable refunding.

Rochelle:

We also see going forward that there will be some opportunities still, because we are still in, although are rising, still a relatively low interest rate environment, to sort of look at the yield curve. Because shorter maturities, generally speaking, do have lower rates. And then we did something we felt was innovative, different, with the 36th series. Again, you may have heard me mention this. Sometimes it's referred to as a forward delivery, and sometimes it's referred to as a delayed delivery.

Rochelle:

So getting into our most recent refinancing, which was the 36th series, we actually now have already completed our series A-1, and that was actually a current refinancing. There was one remaining maturity that, reviewing our reserve requirements, we were comfortable actually refinancing. There was a surety policy that was associated with that, but we don't really need that anymore to make our requirement. And the savings there, undiscounted, was just a little under 1.6 million. The net present value is about 1.3 million, and a little over $50,000 in savings in our maximum debt year. You might recall that our maximum debt year is what we use to set our rates.

Rochelle:

Then our innovative item, something that we hadn't done previously, is actually this forward or delayed refinancing. It's actually already been priced. The pricing was all locked in, so we were able to avail ourselves of the lower interest rates. It's actually going to close on May 3rd, and the savings here is about 1.2 million. On a net present value basis, about 1.1 million. And in the maximum debt year, just a little under 200,000. You may also recall that when we presented our 10-year model, we made an assumption of about $250,000 of refinancing in our target scenario. So, we're just about there with this. And assuming that there's no significant change relative to our operations, this forward delivery or delayed delivery is actually going to close, it's all set to go, on May 3rd.

Rochelle:

We also thought it would be interesting just to look back, and we didn't look all the way back. But if we look at the savings just over the last five years, from fiscal 2018 through the 36th series, on a non-discounted basis we've actually saved about 34.9 million. That's over the life of all the series that we've refinanced. On a net present value, about 27.8 million, and just under $2 million in maximum debt year. So the refinancing that we have done really has resulted in savings for our customers, our rate payers, and we will continue to look at and monitor additional refinancing opportunities. So we thought it would be good, given that the RPB doesn't actually approve refinancings, but to have some visibility into what we've been able to accomplish, including most recently with our refinancings. Do you have any questions?

Greg:

No. That's great, Rochelle.

Stephen:

Rochelle, yeah, this is Steve. I just want to make sure I understand this correctly. So there's two series, A-1 and B, that you did this year, or are doing currently.

Rochelle:

We actually did three. Actually, four. We did A-1 new, we did A-2 new, which is green bonds. We did go out with some green bonds for some predetermined projects. We've already done the A-1 refunding, and then it's already part of our official statement. Documentation has already been prepared. So assuming no material event, we'll be ready to go and close on May 3rd for this series B.

Stephen:

Okay. And that savings of almost 1.6 million was on that work. What is the NPV? The 1.2 million?

Rochelle:

Oh, that's net present value.

Stephen:

Oh, okay.

Rochelle:

[crosstalk 00:12:39] Yeah.

Stephen:

How is that related to the debt year figure again?

Rochelle:

So the maximum debt year, we actually base our rates on the maximum debt year. So not necessarily what the debt service is in the particular fiscal year, but it's the maximum. So we wanted to show the maximum debt year, because that's really the impact from a customer or rate payer perspective.

Stephen:

Okay. But it's not really connected to the savings then, right? Or, it's actually tied to the rates indirectly.

Rochelle:

Yeah, it actually is. So the larger numbers are over the whole life of the maturity, how much we've saved.

Stephen:

Okay.

Rochelle:

Debt year is really what translates into lower rates for the rate payers.

Stephen:

Okay. So our last five-year savings, we went ... So, 27 million?

Rochelle:

27 million net present value, and maximum debt year is about 1.8 million.

Stephen:

Okay.

Rochelle:

Pretty significant.

Stephen:

Yeah.

Male:

I'll say.

Stephen:

Excellent job. Excellent job.

Rochelle:

Group effort, team effort.

Stephen:

Yeah, I know. You have to look at that stuff, for sure. So, we have a lot out there that keeps just sitting there till we can do anything about it. Is there any opportunity on these things to pay them off any earlier? Does it work that way?

Rochelle:

Well, we have to be careful, because if we pay debt service it's going to come into our maintenance test. So it could create a draw, but the refinancings are a good way to reduce the debt. And of course, our efforts to look at non-debt financing, including through DWSRF, is a good way to actually lower the amount of debt financing and to generate internal funds.

Stephen:

Okay. Are there any other questions from committee members?

Greg:

Rochelle, this is Greg. For these savings, what rate did we have, and what rate do we go to?

Rochelle:

Let's see. For the refunding, I probably don't have the exact amount off the top of my head, because we tend to look at the savings. But generally, the ... Let's see if I have it here.

Greg:

Well, don't go crazy. Just-

Rochelle:

Yeah. We've got very good premiums on the new money, and even the refinancing. So, there's a pretty good premium. So even though the coupon might still have a 4 or 5% coupon because of our significant premiums, it's less than 3%.

Greg:

Okay.

Rochelle:

Hopefully that answers the question.

Stephen:

Any other questions, RPB members? Thank you, Rochelle. We appreciate it.

Rochelle:

Thank you.

Stephen:

Can we talk about the bills, I guess, in general? How that transitioned from last year?

Rochelle:

We actually have a presentation. I think that maybe will help.

Stephen:

Okay. Great.

Rochelle:

Jennifer, you can go to the next page. So I think we thought it would be good to recap the rate increase itself, because the rate increase itself did impact the January bills. So, a couple things in talking about the rates. I can share that, Greg, at least partially in response to your question, we did get a lower rate on the new money. So, that was roughly 2.7%. And because we got that lower rate, we were able to lower all the final rates per that schedule that you might recall from our rate application. So, we were actually able to lower the percentage increases by approximately .3%. So the service charge rating was about 2.1, and the volumetric charge was about 8.2. You might recall that we said the average customer that uses about 25 CCFs is about 6%, and a typical, or that median customer, the increase is about 5.3%. That is, again, slightly down from what you might recall because of our lower bond pricing.

Rochelle:

So to go over, on a pure re-change only perspective, this is what the customers are seeing in the bill. So, the usage that a particular customer has is going to impact their particular rate increase. So the first bill I believe we were asked to look at is actually a customer that is using a little bit over the average. So, 32-plus CCFs a quarter. The bill that had the conversion in it was a 75-day bill, and his post-conversion bill was about a 28-day bill. So what we tried to lay out here to explain is, the 75-day bill that he had, the service charge was a prorated service charge, and that is based on our business rules. So, his service charge was $50.96. And whether you take the quarterly service charge and divide it by 90 and multiply it out, or you take the monthly because they're divisible, you do the same math and it'll come out for 75 days. It's $50.96, and the volumetric charge in this particular bill was all based on the pre-rate case bill. Just to show, if that 75-day bill had been all in the new rates, the rate would've been 6.3%.

Rochelle:

This individual's second bill was for a 28-day period, and it was all post-the-new-rate. For bills that are between 28 and 32 days, there is no proration of the service charge, because it's a very narrow range. So his new bill had the $20.81 service charge, and the volumetric was all at the new rate. Again, if you compare the new rate to the old rate using the same business rules and just adjusting for the rate change, his rate increase was 6.3. Again, it's a little higher than the average because he's using a little bit more than the average. So, this was one of the bills that we were asked to explain. I think here some of the confusion was his 75-day bill, the service charge was prorated, and the 28-day bill, it wasn't. But again, with a consistent application of our business rules, the rate increase is actually 6.3%. Are there any questions on what we've showed so far?

Naomi:

Rochelle, when you talk about the prorated bill, I thought the bills ... Don't they come directly from the meters? You're able to get that from ...

Rochelle:

The prorated here is the service charge. So it's not a meter-based, and it's based the number of days for the portion that's prorated. Again, we narrowed the range, which is the 28 to 32, with a conversion to monthly billing. And if there's no ... We actually have another example of a little more actually complex bill that we can also walk through, which is the next page. Okay. So, this particular bill has multiple things actually going on. Basically, the January bill was one of the longer bills. It was a 95-day bill. This was the conversion month. So here we have the conversion and monthly billing, we have a rate increase, and we actually have some conversion work associated with using a new application for PipeSafe.

Rochelle:

So how this situation works is, this bill was for 95 days. The total usage was 15 CCFs. The usage prior to the rate increase was 13. The usage after the rate increase was 2. For prorating for rates, we do take the overall number of days, develop what the daily usage is, and then split it between the pre-and-post rate application. On the bills that customers get, the impact on the volumetric charge is broken out. It'll show on the bill, "X amount of CCFs were based on the old rate, X amount of CCFs were based on the new rate."

Rochelle:

What we've done here to help explain the bill is, the service charge on the bills are just showing what the total service charge is. It's not broken out between pre and post. So to help explain this bill or any questions that you may get, it shows of the 95 days, 80 days was at the old rate. Again, whether you start with a quarterly rate or you start with a monthly rate, it'll work out to be the same. And then 15 days was actually at the higher rate, and that's how the total service charge that displays on the bill was calculated.

Rochelle:

The other, I'll call it, nuance on this particular bill is that for PipeSafe, two things were going on. One is PipeSafe quarterly had not yet converted to monthly. So for this particular customer, that's going to happen in April. But the January bill, or the October through January bill, still was billing PipeSafe quarterly. And the other nuance on this particular customer's bill is that for the conversion month we just showed total PipeSafe, just because of some technical aspects of the conversion. So instead of getting the usual breakout that would have water, septic, or sewer, and then the service charge, it was lumped together. But this is the breakout of all the pieces that led to this customer's overall bill of $162.02.

Rochelle:

This customer's next bill was much more simple. This bill was all post-the-rate-change and all post-the-conversion. So this customer got a bill from January 20 through February 18th. It's a 30-day bill. The usage was 5 CCFs, so very representative of what we call the typical or our median customer, residential customer. So the service charge, again, just to show the pre and post, was $20.81. The prior would've been $20.38. The volumetric is $23.83, and prior, $22.03. So this is actually a great example of what we would call a typical customer, and the rate increase was 5.3%.

Rochelle:

So what we wanted to do here is lay out all the different nuances that some customers are getting in their January bill, especially those that span a large period, and then breaking out the nuances of the conversion separate from the rate increase, and then demonstrating for you what the bill would've been at the old rate and what it is at the new rate.

Stephen:

Rochelle, I'm not quite understanding why the rate increase varies with bills. I can understand why the bill would vary depending upon how much they used, but why is that changing the rate? I thought we approved the rate, and that rate would be-

Rochelle:

So, we did. So all this is showing, in this example, Steve, it's showing just for illustrative purposes. So the actual bill was the $44.64. We just wanted to show what it would've been at the old rate, just to show this is a typical customer. The bill that was impacted by the rate increase as well as the conversion is what we were showing you up here in the yellow, where there is multiple things going on. So, trying to figure out the bill for the committee in a little bit more detail than is actually shown on the bill.

Stephen:

No. No, I understand that. Going back to the other one-

Rochelle:

The other one?

Stephen:

This is a 5.3% increase.

Rochelle:

For this particular customer using 5 CCFs. If you go back, Jennifer, to the first page. So this other customer's bill that we were asked to take a look at, the rate increase for this individual is actually 6.3, because the individual is using more than ... The volumetric increase is not the same as the service charge. So, this individual's rate increase was actually 6.3%. I think this individual tried to compare his 75-day bill that was prior to the rate increase, but it was a converted bill for 75 days. So, it had a prorated service charge. He tried comparing that to a bill that was all post and did not have a prorated service charge. So what we're trying to demonstrate here for you, Steve, and the committee, is what the true rate impact is. The bold tier is the customer's actual bill. So his actual bill for 75 days, and then his new bill for 28 days.

Stephen:

Yeah. No, I understand why it couldn't calculate from 75 days, because it was a prorated bill. But I'm just having trouble understanding why one person got an increase of 6.3 and the other ...

Rochelle:

Okay. So, that's actually because of the top part. So, the service charge ... This is for a residential 5'8 meter. The service charge was only 2.1%, but the volumetric charge is 8.2%. And recall, we did a cost-of-service study. So because the service charge is not going up the same as the volumetric, each customer is going to have a different impact depending on the usage.

Stephen:

Wow. It's going to be hard for customers to understand. Okay.

Rochelle:

And we have done that before. We had a rate increase a couple years ago where I don't even think we increased the service charge at all. So it does depend on the cost-of-service study, and I think maybe the good news is, a few rate cases ago we made sure that the quarterly charges were divisible by three so they would directly equate to [crosstalk 00:30:57] billing.

Stephen:

Yeah. That's what I would have expected. So if that went up to $20.81 and there was a slight increase, 2%. It's pretty straightforward, but-

Rochelle:

Right. Yeah, and the $20.38, even the old rate was $61.14. So it was a pure divide-by-three, and it's still a pure divide-by-three although we're no longer offering quarterly billing for the water customers. So we're hoping this explains some of the questions, but do you have other questions?

Stephen:

Not at the moment.

Mario:

Rochelle?

Stephen:

Is there anybody else?

Mario:

Yeah. This is Mario. Steve. If I could just ask a quick question. On the next page there is, in the yellow, under PipeSafe, a service charge. Is that because it's a monthly?

Rochelle:

No. It actually was always there. When we go to monthly, it was $1.50 for a quarterly versus annual for the cost of the billing. And when we go to monthly, it's going to be $.50.

Mario:

Okay. So, that's just because it's not an annual bill.

Rochelle:

Yes. Yep.

Mario:

Okay. Thank you.

Prem:

Yeah.

Greg:

Hey, Rochelle. This is Greg, and it has nothing to do with the bill. Due to the economy and the cost of gas, cost of food, et cetera, have we seen an increase in delinquency?

Rochelle:

Not of this point.

Prem:

Yeah, and I think the trend .... Maybe I'll take that as well. So Greg, the trend has been pretty good so far. So, we have to watch the first couple months as we go through. So I don't see a lag in terms of customer making the payments, et cetera, but we got to watch the trend for the next couple of months to see how it is. But what we are seeing is that customer wants to clarify. So, we have a new respect for the customer. They have all these questions, they're calling in. So, they're actually clarifying. It's not an escalation, more like clarification from the customer. So that's where we have huge call volumes in the call center, but there's no impact in terms of delinquency, et cetera.

Prem:

We are actually doing some collection process. So we do have a crew that looks at collection strategies, and since the call volumes are higher, we have slowed down on the shots. We are only looking at some of the commercial customers who have very high, I would say, delinquency rate. They're only doing it for them. So there's been a little bit of a shift on resources to make sure we attend the calls of the customer. But trend will tell us. We are watching it. I would say we'll give it for February and March. Then we'll know how things are. So, right now I think we don't see a big impact. Hopefully that helps.

Greg:

Yeah. Thank you.

Rochelle:

Just to expand, because we're looking at what the trend would be for monthly billing, but you have a point on the economy. And we're also still looking, are there lingering impacts from the pandemic?

Prem:

Yep.

Stephen:

So Greg, your question is from the point of view of the increase, or just of the effect of the economy and the pandemic?

Greg:

No. Based on the economy.

Stephen:

But last year I think we did not see that there was a downward trend. Right?

Rochelle:

Well, we definitely still have elevated receivables from the pandemic, but definitely much less so than we have anticipated.

Stephen:

Okay.

Prem:

Yep.

Stephen:

Rochelle, can you email me this bill analysis? I'd really appreciate that.

Rochelle:

Sure.

Stephen:

That'd be great.

Prem:

I think Jennifer already has it in the package. Right, Jennifer?

Naomi:

It's in the package.

Prem:

Yeah. [crosstalk 00:35:05]

Jennifer:

No, this was not included the package. I'll send it out to everybody tomorrow.

Prem:

Okay.

Naomi:

Rochelle, one other question. When you go up to the, on the same screen we're on, the 95 days. Now, so from 10/17/21, when did that period end for the 80 days? Was that up through December?

Rochelle:

It actually went into very early January.

Naomi:

Okay.

Rochelle:

Through January 5th was-

Naomi:

The 5th, or 4th, or something. Okay.

Prem:

Yeah.

Stephen:

Yep. I was going to ask the same question, Rochelle. So, the increase took place in the very beginning of January?

Rochelle:

Yes.

Prem:

January 5th.

Stephen:

Okay. Thank you.

Rochelle:

Yeah. We had a lot of different things going on, so it can get a little confusing.

Stephen:

Yeah. No, I appreciate you taking the time to go through all that detail and put that together on a page to make it understandable. Thank you. Any other questions for Rochelle? Okay. Thanks, everybody. Thank you, Rochelle.

Rochelle:

Thank you.

Stephen:

We can move on to the next topic, and report of the OCA. Jeffrey.

Jeff:

Thanks. Good evening, everyone. Still pretty quiet with the OCA. The main focus of my effort over the last month was the Lake Gaillard Water Treatment Plant application, which you had the public hearing on last Thursday. No consumer complaints that have been escalated to the OCA at the present time.

Stephen:

Great. Good to hear it. Thanks, Jeff.

Jeff:

Thank you.

Stephen:

Anything else?

Jeff:

Nope.

Stephen:

Nope. Good. Item five is approval of the OCA's invoice for January in the amount of 1,500. Do I have a motion?

Rich:

Motion to approve.

Stephen:

Thanks, Rich. Second?

Naomi:

Second.

Stephen:

Thanks, Naomi. Any questions for Jeff on the bill? Hearing none. All those in favor? Aye.

Jeff:

Aye.

Naomi:

Aye.

Stephen:

Any opposed? That motion carries. Thank you. Our next regular meeting will be before the next RPB meeting. Monday, March 21st, at 5:30. Is there any new business that anyone wants to bring up?

Mark:

I'd like to bring something up. I don't know if this is the appropriate place, and I don't think people are going to be happy with what I say, but anyways. What about our other businesses that we have, the uncommercial? Do they come in front of the consumer affairs, since it affects the whole water company? Those businesses also affect the water company, because our assets are put up and stuff like that. So does that come in front of the consumer affairs, or I wrong?

Rochelle:

I think I would defer to what Larry shared at the RPB meeting. That it perhaps would be shared at executive committee [crosstalk 00:38:38] proprietary, because they are commercial businesses.

Mark:

Well, so are we.

Rochelle:

We're a public utility.

Mark:

But we're a business. Yeah. Anyways, also my thought is, isn't the executive committee an open meeting?

Rochelle:

We have an executive session within the [crosstalk 00:39:00] forum.

Mario:

If I can, Rochelle. Yeah. This is Mario. So Mark, we're trying to schedule the next executive committee and work on the agenda. I know that you're interested in that, and if we can schedule that as an agenda item, I'd like you to attend so that you can ask your questions. It would be an executive session.

Mark:

Okay. Please just-

Mario:

I promise to invite you.

Mark:

... don't have it on a Tuesday. Tuesdays are very difficult for me to attend because I have [crosstalk 00:39:34].

Mario:

Okay. I got to be honest. Jennifer sent out the date, I think, today, and I don't remember what it was.

Greg:

It was Tuesday.

Jennifer:

Wednesday the 16th.

Mark:

Wednesday the 16th?

Jennifer:

Yes.

Mario:

We'll change it to Tuesday. I mean, no. Wednesday the 16th. Yeah.

Greg:

Hey, Mario? Mario, this is Greg. Can anybody from the RPB attend?

Mark:

Sure.

Mario:

Well, we try to keep it small. But if you have interest in attending, you certainly may.

Greg:

Okay. Thank you.

Bob:

If we were to go into executive session ...

Mark:

You have to be invited into executive session.

Bob:

Correct.

Mario:

Yes.

Mark:

So we might not get invited, Greg.

Greg:

I understand.

Mark:

Okay. Take it easy.

Stephen:

This is Steve. I have the same concern as Mark, and just a comment for both Mario, and Rochelle, and Prem. It seems that, I mean, these businesses were created to offset rates. They impact, if they succeed or fail, on rates. And I don't think Mark's asking for a detailed accounting of these businesses, but there has to be some accountability, some level of accountability to the full RPB on how that aspect of the RPB is going. We didn't eliminate that. We approved the RWA to enter into those things to offset rates, and as part of the whole picture.

Mark:

The RPB can go into executive session too.

Stephen:

Yeah. I think all RPB members should be aware of some aspect of how that's all going.

Mark:

That's right. On a systematic report, whether it's monthly, quarterly, semi-annual, so we understand what's going on.

Mario:

Steve, that is something that we've been talking with Larry about, is to try and get a timeframe. Whether it's quarterly ... Because monthly, they can be all over the place. So that it is an analysis of what's going on and an accounting of what's going on.

Stephen:

I understand that, especially with new projects, new startups. They go in very different timelines. And I can understand why you wouldn't want to describe the state of the business, because of competitors. But somehow there has to be some accountability to the RPB, I think, on this. So I'm not asking for anything specific, but I would leave it up to management to decide how they could do that.

Rochelle:

Just to let you ... I mean, we are monitoring the new company to see how they're doing versus expectations.

Prem:

Yeah. As a matter of fact, we actually have a monthly meeting. As a matter of fact, we look at this on a monthly basis. So, we do take a look at it.

Mark:

Well, my business too, I look at it monthly. Every business, you look at it monthly. Whether it's quarterly or monthly, that's something else. But Rochelle, you said the company. Don't we invest into two companies?

Rochelle:

Well, we've acquired the business of one. We have an investment in the other, and we did provide, at the last executive committee meeting, a little update on that other investment. I think that's the one you're talking about.

Mark:

Yes.

Rochelle:

Yeah.

Mark:

So, I guess I'll have to wait and see if I'm invited into executive session. Be like the truckers. We drive our cars right there and block the driveway.

Mario:

Okay.

Greg:

Hey, Mark. This is Greg. I just want to tell you, it wouldn't be the first time we weren't invited to someplace.

Mark:

Greg, that's for sure. Thank you.

Stephen:

Okay. Anyone else have any comments? Any new business? I'll entertain a motion to adjourn.

Rochelle:

Thanks. I want to thank Laura and Prem and his team for working with me on the bill analysis.

Prem:

Thank you. Yeah.

Stephen:

Thank you, for sure. Appreciate it.

Rich:

I'll make a motion to-

Greg:

Thanks for the invite, Steve.

Rich:

... a motion to adjourn.

Stephen:

Okay. Is there a second?

Naomi:

Second.

Mario:

Second.

Stephen:

All those in favor.

Group:

Aye.