

REPRESENTATIVE POLICY BOARD

PUBLIC HEARING

(Target Three, a Confidential Protection Plan Company)

March 28, 2024

Hearing Transcription

Tim:

It is 7:00 p.m., the public hearing for Target Three is now in session. I am Tim Slocum, Presiding Member. I will read the Notice of Public Hearing.

The Representative Policy Board ("RPB") of the South Central Connecticut Regional Water District will hold a public hearing to consider the South Central Connecticut Regional Water Authority's Application for approval to purchase the Assets of Target Three, a Confidential Protection Plan Company ("Application").

The public hearing will take place on Thursday, March 28, 2024 at 7:00 p.m. Members of the public may attend the meeting in person at 90 Sargent Drive, New Haven, Connecticut, or via remote access. For information on attending the meeting via remote access and to view the application and accompanying information, please go to <http://tinyurl.com/yyxk7xcs>. The public hearing is being held pursuant to sections 10 and 19 of Special Act 77-98. The application contains confidential information subject to protection under the CJS Section 1-200-6. Matters covered by section 1-210B5B pertaining to commercial and financial information. Portions of the public hearing will be held in protected confidential session. In the event of a protected confidential session, members of the public will be asked to leave the public hearing during that time and discussion may be joined after. Residents of the regional water district and properties to be served. Other indirect persons will have the opportunity to be heard concerning the matters under consideration. Questions may be submitted in writing to the board office by emailing jenniferslubowski@water.com or by calling 203-401-2515. Signed by our chair, Robert E. Harvey, Jr., Representative Policy Board. That concludes the public notice.

Again, we're being recorded. And now these are the procedures that we're going to follow tonight. Attendees, the application contains confidential information protected under a protectable. Because of the sensitive nature of this confidential information, the public hearing will take place in two parts. The first part will include a public session, testimony, and questions. RPB members, the OCA, and members of the public may ask questions related to the public presentation. Second part of the presentation will be an executive session technically. It's protected, and this will include members of the RPB, RWA management, OCA, Bruce McDermott and Ruth Klein and Jen Slubowski are invited to attend. RPB members and the OCA may ask questions, and again, no public during that.

So with that, I'm not going to set any time limits for questions or comments. Usually this'll work out, I forgot my clock anyway, and so we're not going to bother with that. And anyone wishing to offer testimony, they have to be sworn in and you'll be asked to state your name, residence, and business affiliation of any and may be subject to questioning by a presiding member, [inaudible 00:04:09] members. Members of the public will have the same opportunity to ask questions at the end of the public hearing and are not required to be sworn in. Now, we are going to get everybody sworn in that needs to be sworn in. So with that, you'll say who you are first, but just go ahead and go in. Okay, here goes the oath. Do you solemnly and sincerely swear or affirm and declare that the evidence you shall give concerning the case now in question shall be the truth, the whole truth, nothing but the truth upon the pains and penalties of perjury or false state?

Rochelle:

I do.

Adrian:

I do too.

Jeff:

I do.

Tim:

Thank you. Now RWA, go ahead and present. Thank you so much.

Rochelle:

So in this public session, we're going to do an open viewing background regarding the commercial enterprises. We're going to talk at high level relative to target three and what the opportunity is. We're going to talk very briefly about what the asset purchase structure is, and then we'll open it up for discussions and questions. As was mentioned, we'll get into more detail when we go into the executive session. So moving on, some of you may recall this. This is really the background and the overview, including why we're even pursuing these commercial enterprises. And it really is all about generating net revenue to provide funds to invest back into utility, to mitigate future re-increases for our customers. So in 2017, we amended the enabling legislation allowing for the investment in non-core businesses and non-core businesses are very specifically defined within our enabling legislation. In 2018, we established the growth fund to reserve funds intended for the non-core investments.

In 2020, as part of our 2020 through 2025 strategic plan, we set a target to obtain 9.2 million of net revenue by the end of fiscal 2025. In July of 2021, so this was actually fiscal 2022, we purchased the assets of our first well services entity, and they're currently exceeding their valuation targets. In 2022, so this was actually in May, we closed down our second acquisition and they're also exceeding their valuation targets. In 2023 we closed on our third acquisition in October of 2023. And also in December of 2023, we began discussions with target three, which we'll be talking about this evening. Also, just a reminder, actually in 2024, we formally introduced the sustainable manufacturing support as all allowable non-core activities. And that, as Larry mentioned, [inaudible 00:07:25].

This next slide depicts our current RWA PipeSafe territory and what the expanded territory would be if this acquisition is approved. The acquisition supports our commercial enterprise net revenue goal. Definitely significant add to achieve our goal of the 9.2, expands our RWA's protection plan offerings, and also would support WellSafe market expansion. This is at a high level, and again, we'll talk in more detail in an executive session, but this is also an asset purchase structure. So we're not buying the whole business per se, we're buying the assets of the business and other IP and associated assets. The company, the seller, is a protection company. Its footprint, as we just showed, is in the Northeast, and the statement of cost is nine to 13 million. Again, we'll get to the specifics later on this evening. And again, the transaction is an asset purchase.

Tim:

So this appears to be the end of your presentation. Are there any members of board that have a question and want to present? Obviously relevant to only what's been officially talked about so far.

Stephen:

I just want to ask this. This is just an introduction and you're going to go into more detail [inaudible 00:09:14]?

Rochelle:

Yes, we're going to go into more detail.

Tim:

That will be the executive session.

Stephen:

Okay.

Tim:

Okay, there's... Any members of the public? I see we have a member of the public on hand.

Kit Hoffman:

Yes.

Tim:

Would you like to direct a question specific to this or you're just here to view? You don't have to, I'm just offering you opportunity.

Kit Hoffman:

I don't have a specific question, but I would like to familiarize myself with [inaudible 00:09:42]. I'm just here too...

Tim:

Okay, well that's fine. Within the limits of this conversation, is there anything staff could add to further illuminate? Because there's only so much we're able to talk about, speaking correctly.

Rochelle:

No, there's no [inaudible 00:10:04].

Tim:

Okay, so you're satisfied. Thank you. Okay. Oh, I'm so sorry, Ms. Hoffman. I forgot to get your name. I can read it if you'd like, or you could state it since you're more familiar.

Kit Hoffman:

Sure, my name's Kit Hoffman.

Tim:

Thank you. And you're at 21 Broken Arrow Road in Hamden? You did say that. Thank you so much. Anyone else before we go into our closed session process? But we do have OCA. Any comments?

Jeff:

Nothing to [inaudible 00:10:42].

Tim:

Thank you. Okay, so now I guess it is time to move into the other session. Satisfactory?

Mark:

I'll make a motion. Don't you have to make a motion?

Tim:

I don't think so. Thank you for your help.

Mark:

Do I make a motion to move on executives?

Tim:

Thank you. Can we have a second?

Charles:

Second.

Tim:

Thank you, we have a second. Thank you, Charles. All those in favor?

RPB members:

Aye.

Tim:

Okay so just as a reminder, Ms. Hoffman.

Kit Hoffman:

Yes.

Tim:

You would have to excuse yourself from this portion of the meeting at this time.

[EXECUTIVE SESSION FROM 7:10 P.M. TO 8:20 P.M.]

Tim:

We are out of executive session. Jamie, you could go ahead and talk about the exhibits on that list.

Jamie:

The Representative Policy Board public hearing exhibits: Exhibit letter A, application to the RPB for approval to purchase the assets of a target, three, a confidential production plan, company submitted to the RPB on February 22nd, 2024 referred to the application. Exhibit B, affidavit of Rochelle Kowalski, dated February 16th, 2024, regarding confidential exhibit for application. Exhibit C, motion for protective order dated February 22nd, 2024, signed by David Borowy, Authority Chair, and Larry Bingaman, RWA President and Chief Executive Officer, regarding request for motion for protective order for application. Exhibit D, Protective Order signed by Steven Mongillo, RPB Vice Chair, on February 25th, 2024. Exhibit E, Notice of Public Hearing published in the Connecticut Post and New Haven Register on March 5th, 2024.

There seems to be a typo here, but I'm going to read it as presented. Exhibit number E as well, OCA's first set of interrogatories dated March 5th, 2024, subject to the Protective Order accompanying the application. Exhibit number F, management's responses, dated March 5th, 15th, 2024 to the OCA's first set of interrogatories dated March 5th, 2024, subject to Protective Order accompanying the application. Exhibit number G, OCA's memorandum dated March 21st, 2024, recommending approval of the application subject to protective order. Exhibit number H, Public Presentation dated March 28th, 2024. And Exhibit number, letter I, Confidential Presentation, dated March 28th, 2024, subject to protective order accompanying the application.

Tim:

That seems like all the material we talked about privilege too. So with that I don't think there's anything more for me to do, but to conclude the meeting, does that seem accurate from all my helpers here? Okay. Public hearing is adjourned.