



Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

1. Roll call

Chairwoman Stallard-Rodriguez called to order the regular meeting of the IROC at 9:30 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Irene Stallard-Rodriguez, Chair	x	
Don Billings, Vice Chair	x	
Craig Chapman		x
Christopher Dull	x	
Gordon Hess	x	
Jeff Justus		x
Jack Kubota	x	
Tiffany Mittal		x
Jim Peugh	x	
Gail Welch <i>(arrived at 9:40)</i>	x	
Ex-Officio Members:		
Jim Paisley, Metro JPA	x	
Ken Williams, City 10	x	

City representatives present at dais: Tom Crane, Assistant Director; Tom Zeleny, Deputy City Attorney

2. Non-Agenda public comment

None.

3. Approval of Draft Minutes of November 17, 2014

Chairwoman Stallard-Rodriguez asked for a motion to approve the Draft Minutes of November 17.

ACTION: Upon motion by Chairwoman Stallard-Rodriguez, moved by Member Peugh and seconded by Member Hess, motion passed 4 (in favor) -0 (opposed) – 2 (abstain – Billings, Dull).

4. Chair updates– Chairwoman Stallard-Rodriguez

- On behalf of IROC, she thanked recent ex-officio member Luis Natividad for his service on IROC, he was very appreciated representing the Metro JPA. His last meeting with IROC was last month, and wishes him well.
- On behalf of IROC, she thanked IROC Liaison David Bryant, and IROC support person Monica Foster for their hard work and dedication over the past year, and looking forward to another great year.

5. City Staff updates – Tom Crane, Assistant Director – for Director Razak

- Enterprise Asset Management (EAM) Project will be brought to IROC next month, and will be holding an industry forum on Wednesday, December 17 at

Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

2:00 p.m. for the RFI and hope to get industry comments back to help formulate the Request for Proposals going out in several months.

- On Wednesday morning, December 17 in the auditorium, the Engineering Department and Public Utilities Department Senior Engineers with CIP will meet and new procedures will be rolled out so they have an opportunity to discuss them as a group, and provide feedback before the procedures are finalized.
- In January, Director Razak will provide a narrative on the Department's results of 2014 and look ahead for 2015.
- David Bryant provided an update for the Thursday, January 8 tours (PLWTP and EMTS Lab) from 9:00 am – 3:00 pm. A van will be provided for those interested in riding from MOC II, otherwise maps will be sent out.

Member Kubota asked Mr. Crane if he understands correctly, that from the time a project leaves the Department until the time the project is completed, is there a 5-year window for routine jobs, and is this verbiage included in the new cooperative agreement. Mr. Crane indicated this time frame would be the longest it could take, and that most projects are much quicker than this. This package will include upfront discussion on the planning stages.

Vice Chair Billings asked if anything was learned from the presentation by OMWD at the last IROC meeting on drought rates that can be developed and explored in terms of doing something similar in San Diego, financially and/or legally. Ms. Jones-Santos indicated there has been discussion with OMWD, and reviewing of the presentation information. Currently, the Department is evaluating drought rates, reduction of water sales and the impact and how these costs would be spread to all customer classes, the challenge with potential water allocations coming from MWD and CWA, is timing of implementation. She added that according to the City Attorney's Office we would still have to go through the 218 process and follow Cost of Service principles, being cautious with penalties.

Vice Chair Billings added there is an element of risk in our ability to deliver water that goes up and down. He gave an example of building into the rate formula, a factor for near and medium term supply and demand. He does not see this as a penalty, but rather engineered into the rates where the risk factors adjust. Tom Zeleny, Deputy City Attorney commented that OMWD's presentation indicated the drought level rates are all cost of service based, compliant with 218. Ms. Jones-Santos added that as we go to water allocations from the State, potentially there would be penalties to the City of San Diego if we exceeded our water allocation, and covering those costs is a concern. The Department is working actively with our consultant, and Customer Service Division looking at several scenarios (base rate and drought rate(s)).

Ex-officio Member Williams asked if there is a plan to develop drought rates, and try to get them approved. Ms. Jones-Santos indicated the Department is currently working with our consultant to bring a recommendation to upper management forward. She added the Department has a very strong conservation program, and the

Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

key is to get the customers to conserve even more, and see what the impact will be, as well as what the conservation messaging will need to be to make that happen. She added that any recommendations will be brought to IROC Finance Subcommittee as necessary.

6. **Mayor and Council Staff comments**

None.

7. **City 10 – County Water Authority update** – *Ken Williams*

- Drought is looking favorable, but it is not uncommon to have a wet December, and then dryer following months, so the drought continues.
- Discussion of allocations will take place at the January MWD Board meeting, which is tied to the reserves they have (1.1 million ac/ft), which the same amount was used last year. He added, if a 20% allocation is made, that translates to a 9% cut for San Diego, since there are additional water sources developed in San Diego including the Imperial Irrigation District (IID) which was discussed at the last IROC meeting. He then noted that the IID has formally petitioned the State Water Resources Control Board to do several things. Basically, if the State does not plan and begin the restoration process of the Salton Sea, IID will ask the State to cancel transfers from IID to San Diego. There has been no response.

Member Kubota asked why the IID has not proceeded with their work in order to create the efficiencies so water can be transferred. Ex-officio Member Williams indicated he is not certain; however the other aspect is that the payments we are making to IID are the largest source of revenue for them. If the transfers are cancelled this could cause a huge financial disruption. Member Hess added that he does not believe this includes the canal lining project which constitutes 80,000 of the 180,000 ac/ft.

8. **Valve Maintenance Program**

Isam Hireish, Deputy Director of Water Construction & Maintenance, indicated that following a performance audit, the report had several recommendations to improve the efficiency of the valve maintenance. One recommendation was the implementation of a risk-based management approach for valves and hydrant maintenance. Mr. Hireish gave a review of the current 5-year cycle practice.

He noted the new program advantages of knowing the valve locations, quicker to shut down in emergencies which will reduce water loss, damage and impact to customers. Some concerns initially will be locating some buried valves, breakage of valves once exercised, water quality, and disruption to residents.

Mr. Hireish stated research with industry standards and practices, as well as a survey of other agencies was performed. He noted only one agency used a risk based assessment program, and most had an average of 3-year maintenance cycle. He then reviewed charts of risk rating criteria for evaluation and typical valve maintenance requirements.

Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

For the new accelerated valve maintenance program, he noted that valves will initially be maintained within 3 years, then transition to 3/5 year cycles based on criticality. He noted that 28 staff members were needed, where 6 limited positions will be on board soon. The cost for this program is \$3.9M. He then discussed the reorganization plans and equipment purchases for this effort.

Public outreach will be on the Department's website as well as mail-outs in January, and social media blasts. He added this program will begin in January, 2015 through December 2017.

Member Peugh asked if Streets Division is responsible for making sure that the valves are raised when paving streets. Mr. Hireish indicated yes, they should confirm the valve caps are raised. Member Peugh asked if getting 28 new staff members, will this affect the budget of other projects in the Department. Mr. Hireish indicated this will not affect other areas; this budget is for the valve maintenance program.

Vice Chair Billings asked if the Department self-insures for any damages that occur from water main breaks at this point, and is there a third-party insurance company that insures the Enterprise Funds against loss incurred from water main breaks when they damage customers' property. Tom Zeleny, Deputy City Attorney, indicated that the City has a substantial self retention which is an umbrella type policy, not to specific issues.

Vice Chair Billings asked if the cost for the accelerated program covers the cost of any new valves that may need to be replaced in the process. Mr. Hireish stated no, this does not and would be an extra cost.

Member Kubota emphasized that this program is very necessary, and commended the Department for this effort.

9. Water Policy Implementation Task Force Recommendations

Chris Robbins, Water Conservation Supervisor, provided and reviewed an extensive spreadsheet including recommendations from the Water Policy Implementation Task Force, staff comments, and status updates. (*Available upon request*)

Member Hess commented that a similar report was reviewed in the Finance Subcommittee, and he complimented staff on the good progress made in implementing the guidelines. He asked with Recommendation No. IT7 – On Site Treatment Guidelines, in terms of the stakeholder meeting in August, they provided input to the City. He indicated his concern that perhaps not all interested parties received invitations to this meeting. He asked if the guidelines can be sent back out to all stakeholders, especially those who have expressed interest, for a final review and comment before it is finalized.

Rania Amen, Deputy Director of Engineering & Program Management, addressed Member Hess' concern. She indicated an email with the final draft was sent out to all involved parties, on November 26 and some comments were received. She asked Member Hess if he would like to provide any names of those who may not have received the information, she would like to reach out to them as soon as possible.

Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

Member Welch asked with Recommendation IT5 – Dynamic Optimization Programs, for information related to the \$1.09 premium amount rate. Ms. Amen indicated this contract has been managed by her staff and the consultants are in the process now working with SDGE to look into the efficiency, and ways to cut costs. This is an upcoming task to work with CH2M Hill on this matter and IROC will be updated on the progress.

Member Dull asked in regard to Recommendation No. C9 – Retrofit at Resale, about the strict code requirement language in the State Legislation, and if we made a change to our code would we be grandfathered in, or would we not qualify. Mr. Robbins indicated the opinion from the City Attorney’s office was if you modify the current code there is some risk, but small. This item is on hold at this time.

Member Peugh asked with regard to Recommendation No. WR5 – Stormwater Management, sub- item A, if there is an interest in having a Stormwater fee that may provide a financial incentive. Member Hess indicated that particular recommendation is highlighted in yellow, which this has not been approved by City Council yet. Mr. Zeleny indicated that his item actually falls under a different department, and would also require ballots with a vote.

10. Subcommittee Reports

a. Finance – *Gordon Hess, Chair*

None.

b. Infrastructure and Operations – *Jim Peugh, Chair*

- Presentation of Business Case Evaluation examples
- Discussion of public notice of preparation of the Environmental Impact Report
- Update of Managed Competition

c. Outreach and Communications – *Irene Stallard-Rodriguez, Chair*

- Presentation of Pure Water outreach metrics. Very light in general outreach as focus lately has been working with Pure Water workgroup to present to Council which was effective.
- Public Utilities Survey presentation, very good information and this will come to IROC soon.
- KPBS Program related to Water policing. KPBS conducted their own research so some facts were not presented appropriately.
- Member Kubota added that the City’s Planning Department is now sponsoring the preparation of the Pure Water Environmental Impact Report and this can be followed online.

Vice Chair Billings commented that he believes the thoroughgoing and sustained program of outreach with a trusted messenger needs to be invested in, for the Pure Water San Diego Program. Mr. Crane indicated a lot has been done, and is on the horizon, that the program details and outreach visions will be shared with IROC next month.

Independent Rates Oversight Committee (IROC)

December 15, 2014

MINUTES

11. **Metro/JPA Report Out** - *Jim Peasley*

Chairwoman Stallard-Rodriguez introduced and welcomed Mr. Peasley, alternate for Metro/JPA, who will be filling in for Luis Natividad whose last meeting was in November.

Mr. Peasley indicated he is the Board President for Padre Dam, has been in this business for 40 years, including 31 years as an engineer with the Otay Municipal Water District. He is very familiar with several IROC members through different avenues over the years.

Mr. Peasley commented he is familiar with the Pure Water San Diego Program and knows the City will do plenty of the right kind of public outreach, and he is delighted the City approved this program.

Mr. Peasley indicated the Metro/JPA will not meet in January, and added a new Chair will be chosen in February, which he nominated himself to take on this responsibility. If he is chosen, there may be another representative for IROC but he will communicate this at that time. Metro TAC will meet on Thursday and discuss a collective comment on the PEIR as an agency.

12. **Proposed Agenda Items for next/future IROC meeting**

- Update on the Cost of Service Study for recycled water.
- Update on the Automatic Meter Reading Program (AMI). Mr. Crane indicated this item is planned to be presented after the first phase of installation and operation.
- Discuss the Personnel issues of the Department, and if IROC should make a recommendation or take action.
- Discuss readdressing the sub-metering for redevelopment.

13. **IROC Members' Comments**

Chairwoman Stallard-Rodriguez commented that messaging needs to continue to get to the public that even though we get rain, we are very much in the drought situation.

Meeting adjourned at 11:30 p.m.

Minutes submitted by: Monica Foster