

Independent Rates Oversight Committee – IROC

February 16, 2010

MINUTES

1. **Roll Call**

Chairperson Billings was excused for this meeting. Acting Chairperson Peugh brought the meeting to order at 10:07 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair		X
Tony Collins		X
Christopher Dull	X	
Andy Hollingworth	X	
Jack Kubota	X	
Jim Peugh, <i>Acting Chair</i>	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
ExOfficios		
Scott Tulloch, Metro JPA		X
Augie Caires, Metro JPA, <i>Alternate</i>	X	
Ken Williams, City 10	X	

Committee Members were asked by a show of hands, who would be able to stay for the scheduled voluntary tour afterward. With only two able to attend, it was decided the tour would be rescheduled to a later date.

2. **Non-Agenda Public Comment**

There were no non-agenda public comments.

3. **Approval of Minutes from 1/19/10**

Acting Chairperson Peugh asked for a motion to approve the Minutes of January 19, 2010 with no corrections. Committee Member Dull moved to approve, Committee Member Kubota seconded, all others in favor.

4. **Chair Updates – Acting Chairperson Peugh**

No updates to report.

5. **City Staff Updates**

Ann Sasaki

- Jim Barrett is not available today, and is attending a Metropolitan Water District meeting. Alex Ruiz is also unavailable, as he is attending a County Water Authority meeting.
- Coastal Commission Hearing was February 10, 2010 for the Pt. Loma Waiver application to discuss the actual writing of the conditions for the coastal consistency determination. Unfortunately, the City and Coastal Commission staff was not able to come to an agreement. This process is now delayed to March, in Santa Cruz. City staff will be meeting with Coastal Commission staff to craft the language. She added anything that comes out of the Recycled Water

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Report will require Council Action, the City cannot commit to implementing the recommendations of the report.

- Last week, notice was given regarding the “whistle blower” lawsuit against JM Eagle, who is the supplier of PVC pipe. The whistle blower is claiming the pipes supplied do not meet the appropriate standards. The City is now doing inventory on all pipes supplied and installed to determine what impact this would have on the City. She stated JM Eagle has been removed from the City’s “approved materials” list. Tom Zeleny, Deputy City Attorney, added the allegations are that the manufacturer started using inferior materials and a quicker curing process, such that the pipe will not meet specifications now. There will be a comprehensive evaluation performed.
- Staff continuing to work on the recalibration effort, there will be a report out in the scheduled March meeting.
- IPR project is progressing, on January 26, Council heard and approved the RMC Contract for Program Management and Public Relations. The Notice to Proceed to be issued by the end of this month. The Request for Proposals (RFP) for design, construction and testing for AWT should be at North City was issued on February 4. This is available on the City website. Proposals are due on March 19.

Committee Member Hollingworth shared his comments regarding his recollection of concerns with the Public Outreach portion of this Contract being too expensive. Ms. Steirer offered information, stating the scope of work has actually become the Contract. Committee Member Hollingworth requested the possibility of her presence at an upcoming Finance Subcommittee to review the Scope of Work. She concurred and then stated the Public Outreach, Education and Customer Service Subcommittee has also requested information. There will be a kick-off soon, which will have some performance measurements, which IROC asked for as well. She then stated she can provide the Scope of Work. She then explained the competitive selection process for the RFP.

- Ms. Sasaki introduced Luis Generoso to give the January Water Conservation statistics. He stated we are still seeing an 11.9% decrease in usage Citywide. He noted CWA’s allocation for FY10 is an 8% reduction on water deliveries, and ours is 14,400 feet lower, so we are doing well. He stated there are proactive field reps starting at 5:00 a.m. and none of the citations have carried fines thus far because the field reps are working with the customer to reduce water waste. The City would like to see the change in behavior rather than the fine, this has been working well so far.
- A letter was received from the American Water Works Association; the City of San Diego was selected to receive the 2009 Communication Achievements Award for its No Time to Waste, No Water to Waste campaign. A letter was distributed, and in June an award will be received and will share with IROC.
- Earlier this month, the Independent City Auditor issued their report on the Bid to Goal Program. The report is available on the City website. The special Audit Committee Meeting for the presentation and management

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response has been postponed until April 12. Also expecting to get a representative from the City Auditor's office to present to IROC.

Committee Member Peugh asked about the pump station (Pump Station 79) that could potentially get fined. Ms. Sasaki stated Tom Zeleny, Deputy City Attorney, wrote a letter to the EPA updating them on the progress we are making, indicating the Pump Station would be completed by the end of March. There should be a beneficial occupancy the week March 22. She stated there has not been a reply.

6. **IROC Annual Report**

Chairperson Billings is still working on the document so this item was tabled to the next scheduled IROC meeting.

7. **UCAN Offer to IROC for use of "Funds Raised" from Ratepayers**

This item was tabled to the next scheduled meeting. However, Acting Chairperson Peugh asked for suggestions. Committee Member Hollingworth suggested UCAN work with IROC to develop a consistent set of operation and financing metrics that can be applied to the City's Public Utilities Department, County Water Authority and the Metropolitan Water District, and can be tracked.

Committee Member Peugh suggested a study to assess how to figure whether the system is advancing or declining, so when the rate case is brought forward, this information can be shared.

8. **Sub-Committee Reports**

a. **Finance – Subcommittee Chair Hollingworth**

Today's meeting did not have a quorum, therefore the meeting was cancelled. However, materials were distributed to those who were present, and will be available for the next scheduled meeting.

b. **Environmental & Technical – Subcommittee Chair Peugh**

- Tom Crane, Assistant Director, presented the Public Utilities Department's Performance Metrics. He briefed on the FY11 Tactical Plan detailing the goals, objectives and initiatives and showing how to measure them and what specific measurements it takes to reach them. One concern was not having energy efficiency goals, and another was the two separate asset management systems merging. Chairperson Billings talked about the Internal Controls and how it fit together with the Bid to Goal Program, with the similarities.
- Marsi Steirer, Deputy Director, briefed them on the IPR Program. Committee Member Webster pointed out the demonstration system will not have the same hardware as the full scale system later, so it may not be demonstrating exactly the same.
- Focus for next year's Subcommittee agenda items.

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c. **Public Outreach, Education & Customer Service – Subcommittee**

Chair Welch

- Reviewed FY09 recap for inclusion in the Annual Report, handed in to Chairperson Billings.
- City staff from Public Information division presented overview of efforts and benchmark comparison of resources with other agencies. Rated well against the other companies performing PIO. Mr. Kidman presented list of PIO goals the executive team developed. Asked them to update the Subcommittee on activities at least quarterly as necessary.
- Marsi Steirer presented an update on IPR demonstration project, as well as gave an overview of the RMC project management staff and outreach staff and their credentials. Indicated all staff should be onsite by the end of March, and will have a kick-off meeting. Outreach RFP contains a substantial listing of the outreach areas and tasks that could form the basis of a checklist of sorts to benchmark other outreach efforts going forward.
- Suggestion that some consideration should be spent framing and branding of the IPR messages. It would help the customers understand what “IPR” is and have a positive association with name. Ms. Steirer suggested having a name or slogan created.

9. **Metro/JPA Report Out – Mr. Caires, JPA**

- Jim Barrett, Director, provided an update on the Modified Permit, there will be further delays, but watching closely.
- Two projects reviewed and approved by the Metro Commission that had gone to the Metro TAC beforehand.
- Draft of Recycled Water Survey being conducted by the Metro Commission was presented to the Commission. This is a look at the Participating Agencies’ current uses of recycled water are, as well as their planned uses of recycled water. This will be useful for the City’s Study.
- Report from Finance Committee on the Audit and Schedule E results presented, Participating Agencies are very happy with the progress on the audits. Auditors are sent to work with City staff each and every year, the auditors have helped to improve the audit processes.

10. **Urban Water Management Plan**

Marsi Steirer, Deputy Director, gave a brief background of her presentation given to IROC last January, 2009, to approve a consultant contract to prepare the City’s 2010 Urban Water Management Plan (UWMP) and update the 2002 Long-Range Water Resources Plan. Both documents are posted on the City’s website. She stated there is data input and information on conservation activities shown in 5 year increments, and the projections include population growth as well as water demands. She stated we use the same model that the County Water Authority and the Metropolitan Water District (MWD) use.

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She explained that the submittal due date of the document changed from December 2010 to July 2011 as part of the water legislation passed last fall providing the City an extra 6 months. The CWA and MWD, as large wholesalers, did not receive this extension. The positive thing is we are not going simultaneously.

The Department of Water Resources is preparing and updating their guide book on Urban Water Management Plan preparation which is basically a checklist to help water agencies prepare the document. She stated associated with the legislation, we are supposed to establish metrics for establishing daily gallons per capita/per day (gpc) consumption and how we will achieve a 20% reduction in gallons per capita per day (gpcd) by 2020. This should be embedded in the document, and the guidebook will help sort out the information.

It is important for the City to receive a letter of acceptance on the submitted 2010 UWMP from the Department of Water Resources (DWR) stating the document met all criteria associated with the Urban Water Management Planning Act. California State grants are contingent upon having this letter. We would like to have access to these funds for our projects. She added the Urban Water Management Plan is also used for water supply assessments, which is very important.

Last, she stated when the Urban Water Management Plan is complete, they will be utilizing the Environmental & Technical Subcommittee to provide the Draft to, then bring forward to full IROC, Council Committee and full Council.

11. Miramar Landfill Gas Power Plant Projects (MP3) Presentation

Tom Alspaugh, Senior Mechanical Engineer, gave a presentation of the Miramar Landfill Gas Power Plant project (MP3), which is part of another project to come in the future. He stated he has been working on this project for approximately 6 years.

Mr. Alspaugh provided handouts of the presentation. He referred to an overview of the Marine Corps Air Station, Miramar which shows an outline of the City of San Diego's Landfill area. He gave a brief history of the site, which the Navy originally owned rights to the land, after being cited for not having the gas collection system, the City agreed to do, then awarded those rights to NEO Corporation who installed the collection system free of charge. He stated the Public Utilities Department saves approximately \$2 million per year on electricity at MBC, and at North City Water Reclamation Plant (NCWRP) we save approximately \$1.8 million per year, as well as receives 8% royalties on sales to NCWRP which is split 50/50 with ESD (approximately \$110,000 now) to help protect the landfill for compliance issues so there would be a revenue source.

He added there have been almost \$1 million worth of wells over the years and have paid for them into the landfill gas system, which is a mechanism used to make sure the gas system stays in compliance. The ESD Enterprise Fund is responsible for compliance with the landfill. There is an agreement that if there is

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a compliance issue, the Public Utilities can help pay with our 4% portion of royalties. As we go forward we will renew this, which is very important.

He discussed the motivation of the needed MP3. He stated ESD needs additional wells; the Marines want renewable energy; NCWRP needs additional onsite generation capacity to control demand cost and for its growing electricity loads; MBC needs switchgear modifications; and the City receives the 4% portion of the 8% royalties on new additional revenues that Fortistar will have. He then answered questions regarding the use of the royalties to help with compliance issues. He added that capital costs and operating costs for the whole facility have been totally supplied by Minnesota Methane and NEO Corp, now owned by Fortistar. ESD is one exception, as the landfill grows and new wells are installed, unless a project is developed.

Mr. Alspaugh showed diagrams of the land fill gas well and cross sections, as well as diagrams of the 6.4 megawatt MBC cogeneration system owned by Fortistar and dedicated to the Navy, North City Cogeneration Facility and described the City's responsibility of the "small power producer". He discussed the benefit to having this facility as well. Committee Member Hollingworth asked if when Mr. Alspaugh comes back with the future project, to include the projections to support the calculations as well as capital cost, operating cost, financing cost and assumptions. Mr. Alspaugh concurred, and plans on it. Mr. Alspaugh then briefly described the future North City Cogeneration Facility Expansion.

He concluded by recapping the benefits of the project and added this Amendment will provide additional City royalties of about \$300,000/year.

12. Proposed Agenda Items for Next IROC Meeting

- IROC Annual Report
- Please send any other items to Chairperson Billings or Ernie Linares. Mr. Linares then added due to time consuming items for the next scheduled meeting, please prepare to meet for approximately 3 hours. This has not been communicated with Chairperson Billings yet, but the extra time may be needed. Committee Member Hollingworth stated he will try to accommodate an earlier start time by changing the time of his Finance Subcommittee.

13. IROC Members' Comments

None.

Adjournment of IROC

At 12:00 Acting Chairperson Peugh motioned to adjourn, all were in favor and the meeting was adjourned.

Recording Secretary: _____
Monica Musaraca