



Independent Rates Oversight Committee (IROC)

October 19, 2015

MINUTES

1. **Roll Call**

Chairman Justus called to order the full IROC meeting at 9:40 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Jeff Justus, Chair	x	
Gordon Hess, Vice Chair <i>left at 10:40am</i>	x	
Craig Chapman	x	
Christopher Dull	x	
Jack Kubota	x	
Tiffany Mittal	x	
Jim Peugh	x	
Irene Stallard-Rodriguez	x	
Gail Welch	x	
Ex-Officio Members:		
Ed Spriggs, Metro JPA	x	
Ken Williams, City 10	x	

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

2. **Non-Agenda Public Comment**

Rita Bell of Otay Water District (Otay) commented that she is awaiting materials related to the Cost of Service Study (COSS) for Recycled Water, specifically capital expenditures, and debt and terms supporting the expenditures. She indicated she did some research of her own and relayed data taken from two San Diego County Water Authority (CWA) audits performed by a firm by the name of LSL. She questioned how the current debt service of \$234K per year was calculated and asked for the back-up documents related. She also questioned the O&M costs that do not match what was reported to the CWA auditors. Last, she commented that Otay paid the City of San Diego (City) capacity reservation charges, but she does not see this listed on the CWA audit, or is it taken into consideration on the COSS. She reiterated that she would like a response to her Public Records Act request.

3. **Approval of Minutes from Meeting of 9/21/2015**

Chair Justus asked for a motion to approve the Draft Minutes of September 21, 2015.

ACTION: Member Peugh moved to approve as submitted. Member Chapman seconded. Motion passed 7 (in favor), 0 (oppose), 2 (abstained – Dull, Mittal).

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4. **Chair Updates** – *Chairman Justus*

- Recognition of David Bryant on behalf of the Committee, appreciation of his dedicated service provided over the years. A token of their appreciation was given to Mr. Bryant. The Committee wished him well in his new Program Manager position in the Customer Support Division and look forward to his presentations on AMI to IROC at future meetings. Mr. Bryant thanked IROC and expressed that working with IROC was his pleasure and he truly appreciates the volunteered time and expertise put forward by the members.

5. **City Staff Updates** – *Director Razak*

- Thanked David Bryant for his valuable knowledge and dedication to IROC over the years, and she is excited for him to share his expertise in the Customer Support Division.
- Drought continues, and the City has done an outstanding job with conservations. In September, water use was lower than that of September 2013 by 21.7%, even though there was no rain during this period, and temperatures were extremely high.
- There have been 700-900 water-use complaints received on a monthly basis, and the app is working well. Reports back from the State show that they are very pleased with the City's efforts in regard to effort toward the drought.
- Very engaged with the water use restrictions. The Governor's executive order lasts until February 2016. The State will probably extend this period, as discussion groups are forming to determine what future restrictions may be, as well as permanent restrictions. City staff is involved with these meetings. She engaged in conversations with the Executive Director of the State Control Board and was assured they will zero in on what needs to be done. Next meeting is this week.
- Pricing mechanisms continue to be an effort which staff is fully engaged, as well as a strong interest in developing a low-income assistance program that she is in a leadership position with the California Urban Water Agencies to develop ideas and to raise the voice of the urban low-income user.
- Cost of Service Study - Prop. 218 Notices have been mailed out to all customers and staff continues to be extremely active in presenting to the different community groups and stakeholders about the rate adjustments. Staff is extremely busy with community and stake holder outreach, and they have done an amazing job with their dedication and effort.
- CWA won the MET litigation, but it will be quite some time before the money will be available.
- A new Vision for the City of San Diego has been revealed which is "A World Class City for All", as well as the new Vision for the Department has been chosen as "A World Class Water Utility for a World Class City". A new Mission Statement is also in the works, and should be shared soon.

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Ex-Officio Member Spriggs commended the Department for leading key things going on in the State. He added that the public and legislators are very aware of the drought, and the opportunity is perfect for addressing the problems with tiered pricing. Because of the evidence of the conservation by the public, suggests the keen awareness of water conservation and needs, and the big users should bear a greater share, as well as giving the urban poor a break. He is in hopes that she would be a leader in this as the drought becomes worse.

He asked in regard to Pure Water, if the State is responsive on the regulations needed to implement IPR and DPR, which is an important hurdle to jump in order to have progress on infrastructure. Director Razak indicated there has been a lot of progress with the State, and they are under tremendous pressure to move fast and the Department is at the table on the expert panel, and in constant communication with the State Board on moving things forward. She will be providing a presentation to IROC soon, and will be pleased to see the progress to date on Pure Water.

Member Peugh asked for a status on the Otay Water District's information request. Lee Ann Jones-Santos, Assistant Director, stated that quite a bit of information was requested from a variety of sources; this is being compiled and will be distributed soon, meeting the obligations under the legal requirements for the Public Records Act.

Member Kubota commended Director Razak for recently being appointed to the Board of Directors of the Water Reuse Association and the Water Reuse Research Foundation, along with an individual from Texas.

Chairman Justus asked for an update on how the presentations are going to the stakeholders and their perception of the information. Member Peugh added that he would like to get the status of protests coming in. Brent Eidson, Program Manager, replied that two community presentations per Council District is the goal and we are on target. These presentations do not include stakeholder groups. We are spending the time in front of these groups explaining what is driving the rates and there seems to be an understanding and acceptance of the communities, which is positive. The number of protests received has not been received as of yet, but when this information is available it will be shared.

Chairman Justus thanked the Department for inviting him to be part of the 5-year Strategic Plan, and he applauds City for the great efforts and plans.

Ex-Officio Spriggs commented that he notices many destroyed yards due to the lack of watering, and if San Diego should be in the lead being the furthest south major city and the driest, to help those avoid dust bowl problems that are unhealthy. He believes this is another initiative worthy of leadership. Director Razak concurred, and reiterated that there was so much interest in this program

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that the money was exhausted in hours. With the COSS in place, the demand can be evaluated and we can take it from there.

6. **Mayor and Council Staff Comments**

None.

7. **Update on Quarterly Water Main Breaks and Sanitary Sewer Spills**

Agnes Generoso, Deputy Director of the Wastewater Collection Division noted that the system is performing well and staff is doing a tremendous job.

- As of the end of September: total of 25 spills which include 6 sanitary sewer back-ups, which were not counted in prior years; system is doing well.
- This year: released 1,900 gallons into the environment not able to capture. Compared to same time last year: 4,200 gallons released.
- One spill into Gesner Canyon in September. No public water spills.
- Drought has had effect on sewer system – there are more spills this year of pipes that were on long-term cleaning scheduled that did not make it to their next scheduled cleaning date, and more pipes have been added to the accelerated cleaning schedule compared to last year.

Isam Hireish, Deputy Director of Water Construction & Maintenance indicated the following:

- July 2015 through September 2015 total breaks: 17 compared to 21 the same time last year. Provided charts showing that the number of cast iron breaks is down compared to previous years. He noted that asbestos cement breaks are down by 25% as well as for the quarter.
- 2014 water main breaks were 75 versus 43 main breaks year to date for 2015, which is on track. Trends continue to show most pipe breaks are the materials of asbestos and cast iron.
- Contractor hit totals are 164 year to date, in 2011 there were 198.

Member Mittal asked if the breaks are tracked by area for trends, or are they only by material type. Mr. Hireish responded that main break reports include the size of the main, the address and the material type.

Ex-Officio Member Spriggs asked where the City is versus the best practices nation-wide in the use of technology, diagnosis and repair. Ms. Generoso proudly indicated that the City has won two awards in a row which includes the CWEA Large Collection System of the Year Award, and is unprecedented in the State. She added from a maintenance and operations standpoint the City is right up there, and many agencies have come to look at what the City is doing in terms of technology and equipment used. IROC had the opportunity recently to view impressive equipment, including the recycler machine on loan from Vactor, on a pilot program; as the City is on the leading edge for technology and management of best practices.

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Director Razak added that last year there were 28 sewer spills, and looking at the benchmarks to the size of the system, and noted that “best practice” number of spills was 60, so the City was less than half and this speaks volumes. She added that being the best comes at a cost, and she commends the Department staff on running things so effectively and efficiently and she looks forward to receiving more awards.

Director Razak commended the Water Construction & Maintenance staff for all the improvements that have been implemented in the last 18 months that resulted in a more efficient and productive division.

Member Chapman asked in regard to “contractor hits” since 2011, what has been different in technology, if applicable, and what is the satisfaction and success with the utility agency interaction prior to construction. Mr. Hireish responded that the number of contractor hits is correlated to the CIP and developer projects in construction within the City boundaries. The contractor hits are caused by direct hits of equipment to the existing infrastructure, heavy equipment on top of pipelines during the construction activities and pulled water services during excavations. The contractors request Dig Alert to locate the existing utilities before start the of their construction activities. Dig Alert uses the As-Built Drawings and their locating equipment to mark the utilities. The majority of the contractor hits result from pulling of water services, which are usually not identified on the As-Built Drawings, in addition the As-Built Drawings do not show the depth of the water services. Mr. Hireish also noted that contractors are billed for causing any damage to the infrastructure in addition to the water lost due to the damage caused.

Member Peugh asked if there is a concern of the life expectancy of PVC pipe. Mr. Hireish indicated that most of the PVC pipeline breaks where due to poor PVC installation practices which caused significant external stresses on the pipe, and settlement of the pipelines and pipe defects. He also noted that most of the PVC pipelines that failed where installed in the 1980s.

8. Sub-Metering of High-Rise Residential Towers

Tom Zeleny, Deputy City Attorney reminded IROC that he gave a presentation to an IROC Subcommittee recently on Senate Bill 7 related to the requirement of submetering in multi-family dwellings. He indicated on September 8, 2015 there was a vote on the Assembly floor: 29 in favor, and 28 opposing; therefore the Bill failed. He shared and provided the City’s submetering Ordinance Number O-19946 which was passed in 2010 which amended two different sections in the Municipal Code that were not next to each other, and have now combined the sections which makes things much clearer.

He described sections of the ordinance that may have caused confusion with regard to the installation and billing laws of submeters. He also clarified that high-rises are not all exempt of installing submeters, under Section 147.0410 Water Submeters of the Ordinance. He gave examples of comments and questions that had been raised regarding exemptions.

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Tiffany Mittal, IROC Member and representing multi-family rate payers and in the submetering business, provided a presentation (see attached) illustrating how submeters are installed and read. She also described the importance of submetering since 50% of the San Diego residents live in multi-family housing which represents a large portion of the consumption of water in the City.

She then described the billing techniques used for submetered units, and ways to encourage conservation. She noted that the submetering has become more widely discussed as a way to encourage conservation because of a national study, "Submetering Allocation Billing Program Study" in 2004, as well as a publicized review of submetering in multi-family dwellings. These both showed significant decreases in consumption. She also indicated that the way the Ordinance is written, new construction is required, but does not include retrofitting old properties. She encourages incentivizing those that can install submetering to create a savings for the City, and also encourage other water authorities to push forward legislation to promote submetering in multi-family units to create conservation throughout the State.

Ex-Officio Member Spriggs commented that other than high-rises, many ground-level combined housing units are also affected. There are high costs for the maintenance of the grounds. He inquired about any knowledge of a way to perform readable metering by the City for these smaller multi-family dwellings that may increase the meter reading load, but seems it could create much more conservation. Ms. Mittal replied that the Ordinance calls for new properties to install meters in 3 or more units. She added that in her opinion, the majority of duplexes would need retrofitting, since most new structures seem to be larger than 2 units these days.

Member Chapman asked for a description of how the meters are read for submetering and billing for retrofitted dwellings. Ms. Mittal replied that radio frequency transmitters are installed and transmitted wirelessly to a data collector which is downloaded onto a website which also provides tenants access to their reads.

Member Chapman also asked that if submeters are installed in multi-family units, would the costs that are then transferred to the individual tenant become a savings to the property owner which in turn could offer a reduced rent cost. Member Mittal stated that in her experience as a multi-family owner, in the past the water was included in rent. Over the years, the water rates have gone up significantly along with increasing pressure to lower rents. Therefore, increases in utility costs are difficult to recover. The costs savings to the landlord allows the landlord to pass the savings along through rental rates.

Member Peugh asked about the costs of the meters and the cost to maintain them. Member Mittal indicated that California requires them to go through Weights and Measures. This is a much smaller cost than the owner absorbing the cost of the water bills. She also gave an approximate cost for the meters, the third-party billing, transmitters, and data collectors for the submetering.

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9. **Adopt FY15 IROC Annual Report**

Chair Justus indicated that the Report is very “draft” and may not be ready for action at this time. He asked members to meet in their respective subcommittee meetings and finalize it further. The Report can then be submitted for an action item at the next full IROC meeting. He pointed out that the Executive Summary title was removed, and renamed “Forward” which better reflects the purpose. He also noted that the cover letter to the Mayor will be updated to show there are two (2) vacancies on IROC.

He then asked for any changes/comments to be sent to an IROC Ad-hoc committee member. Tom Zeleny, Deputy City Attorney, noted that all changes should be sent to Wilson Kennedy, and he will forward them to the respective Annual Report Ad-hoc member for that section, to make changes. All written changes should be tracked and provided as back-up when this item is heard again. Chair Justus concurred and added that the formatting and nonsubstantive changes will be edited by Wilson Kennedy and Monica Foster once the document is more final. The Ad-hoc will convene one more time as well.

10. **Planning for Future IROC Member Field Trips**

Chair Justus asked for recommendations for future ideas of field trips.

Member Mittal asked about the past field trip to the Bay Delta and the Colorado River. Director Razak replied that these are Metropolitan Water District field trips that are available to attend through CWA as well. Member Mittal also mentioned the Salton Sea.

Member Kubota suggested the Pure Water Demonstration Project, as well as the Demonstration Plant, South Bay Water Reclamation Plant, and the Chollas Operation Center are great facilities to view. Director Razak would like Mr. Kennedy to reach out with an opportunity to view the Pure Water Demonstration Project, and guests are welcome.

Member Peugh suggested the Harbor Drive site, as well as the reservoirs, but is not certain how practical these would be to view.

Chair Justus indicated he toured the Metro Biosolids Center when the centrifuges were replaced, and thinks this would be a beneficial tour in the near future. He also asked if there are any current tours coming for staff members that IROC could attend. Director Razak indicated not at the moment, but added there are ongoing discussions regarding the resources, security, and staff of future tours.

Member Chapman asked if a list could be established of past tours, so those members who have not had the opportunity can attend. Director Razak commented that she would let IROC know once the Bay Delta and Colorado tours are available.

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11. **City 10 – County Water Authority Update** – *Ken Williams*

- There is a 95% probability of having an El Nino. An article in the LA Times recently indicated that Southern California has the highest probability, according to the National Oceanic and Atmospheric Administration (NOAA); however, the snowpack may not be as lucrative as rain.
- MET Lawsuit update: He reviewed that initially, this lawsuit was about MET charging too much for delivering Imperial Irrigation District (IID) water to CWA and the judge concurred and ruled that there was \$188M that MET owes CWA for four years (2011-2014). Most recently the judge ruled that in addition to this amount, there is interest due which is \$43M, at a 10% rate. In addition, there will be 7% interest going forward until MET pays CWA. The next step will be a final judgment that can be appealed, which is expected. After this, there is still an opportunity for the Supreme Court of California to review.

Director Razak added that when CWA filed the lawsuit against MET after attempts of discussions and negotiations, MET continued to use the same rate structure in setting the following years rates. She commented that as this process goes forward, recognize that this same rate structure is being used to set more rates. MET has not made an attempt to change the rates, so this continues.

12. **Subcommittee Reports**

a. **Finance** – *Tiffany Mittal*

- Discussed the subcommittee portion of the Annual Report, Lee Ann Jones-Santos to make some comments before finalization.
- Reviewed the Financial Summary Year-end

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

- Discussed the recent pipe break in Pt. Loma, talked about valve maintenance
- Presentation on the Water Quality testing lab, and believes the full IROC would be interested in this presentation
- Discussed the subcommittee portion of the Annual Report
- Discussed with Donald Kelly, Executive Director of UCAN, the demand response measures both with respect to electricity and water use. There could be some potential of savings.
- Future item: Water Master Plan

c. **Outreach and Communications** – *Jack Kubota, Chair*

- Discussed the subcommittee portion of the Annual Report
- Discussed Customer Service Division's customer billing questions and received some statistics that will be provided in the Annual Report

13. **Metro/JPA Report Out** - *Ed Spriggs*

None.

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14. Proposed Agenda Items for Upcoming IROC Meetings

- Human Resources Update
- Adoption of the Annual Report
- Pure Water Update
- Pure Water Public Opinion Survey
- Letter to the Mayor regarding Committee vacancies
- AMI Update
- Water Quality Report (shortened version)

15. IROC Members' Comments

None.

Meeting Adjourned at 11:50 a.m.

Attached: Item 8 handout

Minutes submitted by: Monica Foster