



Mayor Kevin L. Faulconer

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CONTACT:  
Greg Block at 619-227-3752 or [gblock@sandiego.gov](mailto:gblock@sandiego.gov)

# Mayor Faulconer Calls for Sweeping Reforms in Public Utilities Department Following Independent Audits

ANALYSIS FINDS LESS THAN ONE PERCENT OF 2017 BILLS ISSUED INCORRECTLY, BUT CHANGES STILL NEEDED IN QUALITY CONTROL, CUSTOMER SERVICE AND METER READING OVERSIGHT

[City Auditor report](#)

[West Monroe Partners report](#)

San Diego – Following a rise in complaints from customers about water bills, Mayor Kevin L. Faulconer has directed staff to implement all of the recommendations from two separate independent audits of the City's Public Utilities Department (PUD). The reports reached similar conclusions about the need for significant improvements and operational changes within the department.

The audits – one conducted by [independent City Auditor](#) Eduardo Luna and the other by a [nationally recognized utility consulting firm](#) – each identified that a 2017 increase in water bill questions were prompted by multiple converging factors, including higher water usage by customers after drought restrictions were lifted, scheduled water rate increases and a longer billing cycle between September and December. However, the reports also revealed that human error by multiple meter readers and insufficient quality control measures led to legitimate billing errors and customer complaints. A lack of proactive communication before the new rates and one-time billing cycle change went into effect also caused confusion.

The City Auditor's report found the department "has processes to ensure accurate meter readings prior to billing customers" and "appears to identify and correct most reading and billing errors before

customers receive a bill." Out of approximately 1.3 million water meter bills issued in 2017 to single-family residences, only 2,750 had to be adjusted after customers received an incorrect bill, or 0.2 percent. Although the audit calls this a "very low percentage," the effect on individual customers could be significant depending on the error. Further, PUD staff has identified that industry standards for acceptable error rates are between 0.10 and 0.16 percent.

While the audit found that "installation of smart meters did not contribute to bill increases," the City Auditor at Mayor Faulconer's request is conducting a separate audit specifically focused on smart meter implementation to be released later this summer.

**"Our customers must be able to trust when they receive their bill that it accurately reflects how much water they use – no more and no less. These audits show that less than one-quarter of one percent of bills were issued incorrectly, but percentages don't matter if you're the one overbilled," Mayor Faulconer said. "We have to change the culture of this department in order to consistently deliver the excellent service that San Diegans expect. I have directed staff to immediately begin reforming water operations by implementing the recommended changes and rebuild the trust that has been lost."**

Joined by Luna and City Councilmember Lorie Zapf, Mayor Faulconer explained the goal of each report was to develop recommendations that will ensure customers are being charged only for the water they use.

The Mayor has directed Chief Operating Officer Kris Michell to immediately begin implementing the audit recommendations, with a majority to be completed by Jan. 1. They include changes in several key areas:

### **1. Improve Communication with the Public and Instill a Customer Service Attitude**

- **Proactive outreach to customers:** Strengthen communication with ratepayers about their water bills, including their water use, conservation efforts, and advance notice for changes in billing cycles and rate increases.
- **Prioritizing customer service:** Improve customer relations and use of technology like the recently released smartphone application, [MyWaterEasy](#).

### **2. Strengthen Quality Control and Oversight**

- **Human meter reading quality control:** Strengthen supervisory review and develop employee performance metrics for meter reading to reduce the number of errors and skipped readings, make routes more effective, and enhance internal controls.
- **Transition to smart meters:** Accelerate deployment of the Advanced Metering Infrastructure (AMI) meters to improve billing accuracy and eliminate human error from meter reading.

### **3. Proactively Analyze Billing, Water Use and Call Volume Data to Identify Problems Faster**

- **Ensure bill accuracy by revamping internal systems:** Overhaul programs that analyze the number of misreads, estimated bills, customer call volume and meter serial numbers to flag potential errors before a bill is sent to a customer.

- **More effective internal operations:** Improvements in department processes, including setting performance metrics and better communications between Customer Support and the Meter Shop to prioritize meter repairs and reduce the repair backlog.

**“The PUD water billing audit was one of the most important audits my office has conducted because residents expect and deserve that the water bills they receive are accurate and reflect actual water consumption,”** Luna said. **“The audit staff did an outstanding effort in determining the extent and causes of the reported high water bills. We found that there were multi-causal factors that contributed to bill increases, including an extended billing cycle and a water rate increase. The percentage of inaccurate readings that pass through the PUD billing system is low. To regain the public trust, PUD executives will need to strengthen their oversight of the meter readers.”**

Earlier this year, prompted by a number of complaints about higher-than-normal water bills, an internal department review found that 343 of the 281,679 residential customers were overcharged on their water bills as a result of human error through intentional misreads of meters.

In February, at Mayor Faulconer’s request, the City Auditor’s Office expanded the scope of its planned performance audit of the department’s customer service division to examine the use of new smart meter technology.

In April, the City hired West Monroe Partners – a national business and technology consulting firm that specializes in energy and utilities – to conduct a detailed root-cause analysis of alleged high bills as well as a comprehensive operational assessment.

**“These audits will go a long way toward ensuring the City is accountable to our customers,”** said Zapf, Chair of the Audit Committee. **“They have brought to light the causes of the issues that have led to too many concerns and inconveniences for residents. The Audit Committee will continue to monitor the PUD’s progress as it quickly implements each and every recommendation until they have regained the public’s trust.”**

**Added Cate: “After hearing from hundreds of District 6 residents with unexplainably high water bills, I look forward to the implementation of these audit recommendations. San Diego ratepayers deserve a department that can complete the simple task of sending accurate water bills. At the August 2<sup>nd</sup> Environment Committee meeting, I will be presenting a proposal to help rebuild San Diego’s trust in the water department by revamping its customer service operations, ensuring accurate meter readings, and adding new levels of financial accountability.”**

In addition to the audits, Mayor Faulconer has directed new Deputy Chief Operating Officer for Infrastructure and Public Works, Johnnie Perkins, to launch a third-party examination of the entire department’s overall management structure, internal controls, processes and protocols, and employee oversight. And, the City’s Performance & Analytics Department is also conducting an analysis of billing data.

Mayor Faulconer also called for monthly and public progress updates on the implementation of reforms to be made directly to him, the City Council and the [Independent Rates Oversight Committee](#) – the official advisory body to the Mayor and City Council on policy issues relating to oversight of the PUD.

**“If there is an issue we are going to own it, if there is a question we are going to answer it, and if there is a problem we are going to solve it,” said Perkins. “We expect more information to come to light as we do a deep-dive review of the Public Utility Department’s operations, and we will be sharing this information with the public.”**

There are a number of programs available for customers to assist them if they have billing concerns or issues. There is a free [residential survey](#) program that allows PUD staff to help customers monitor their water consumption and check their property for leaks. The City also has water [conservation rebates](#), including water pressure reduction valves and rain barrels. For low-income customers who qualify for a \$100 credit on their bills, the City offers the [H2O SD](#) program.

Customers are encouraged to contact the City with questions or concerns at (619) 515-3500 or [customercare@sandiego.gov](mailto:customercare@sandiego.gov).

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