



Independent Rates Oversight Committee (IROC)
March 20, 2017
M I N U T E S

1. Roll Call

Chairman Hess called to order the full IROC meeting at 9:37 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

<u>Members:</u>	<u>Present</u>	<u>Absent</u>
Gordon Hess, Chair	X	
David Akin	X	
Christopher Dull		X
Jeff Justus	X	
Fred Kosmo		X
Jack Kubota	X	
Tiffany Mittal	X	
Luis Osuna		X
Jim Peugh	X	
Linh Quach	X	
<u>Ex-Officio Members:</u>		
Ed Spriggs, Metro JPA	X	
Lois Fong-Sakai, City 10	X	

City representatives present at dais: Halla Razak, Director; Tom Crane, Public Utilities; and Tom Zeleny, Chief Deputy City Attorney

2. Non-Agenda Public Comment

None.

3. Approval of Minutes from Meeting of December 19, 2016

ACTION: Chair Hess asked for a motion to approve the minutes of December 19, 2016. Member Peugh moved to approve as submitted, Member Justus seconded. Motion passed 7 (in favor), 0 (oppose), 0 (abstain)

4. Chair Updates – Gordon Hess, Chair

- He distributed a Voice of San Diego article (information only) that he found interesting. The link to the document can be found at: <http://www.voiceofsandiego.org/topics/science-environment/city-says-sewage-is-hard-to-find-pushes-recycling-plan-that-has-neighbors-nervous/>.
- He attended a Stone Brewery event that showcased beer made from Pure Water San Diego. The Mayor as well as some Councilmembers were in attendance. The event was put together well, and the beer tasted great. He congratulated the sponsors and City staff for the successful fun event. He asked if IROC could get invitations to attend other events that come up. Director Razak concurred. Ex-officio Member Fong-Sakai added the name of the beer provided was called “Full Circle”.
- Welcomed Lois Fong-Sakai, County Water Authority representative, and Ed Spriggs, Metro JPA Representative. Please note that this bullet was mentioned during City Staff Updates in Item 5 by Chair Hess.

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

- Hydrology update for San Diego is 11.62” of rain at Lindberg Field which is considerably higher than most recent years, and higher than the average of approximately 10”; Northern Sierra is at 153% of the average snow pack and approximately 130% at the Colorado River.
- Oroville Dam and other reservoirs continue to have challenges with the rainfall and spillage.
- San Diego has had great conservation since last year and has had between 16-20% lower use than 2013. With the additional rain, the reservoirs are getting more water. First time in the history of Lake Hodges that water was moved. Also moved water from El Capitan that will make its way to Alvarado. The system is being exercised to its maximum ability.
- On the Wastewater side, with the heavy rains there have been surcharges on some manholes; equipment has been ready to go with no real major issues.
- Attended the Pt. Loma Waiver Application hearing with the Regional Board, since that time, the Regional Board modified what the Permit condition looks like including the updated schedule. The City along with the Participating Agencies have sent separate letters with comments on this, and discussions continue. The next hearing is scheduled for April 12. The next Coastal Commission meeting is scheduled for May. Once this consistency determination is made, the Waiver and all conditions will become finalized.
- The Department’s annual Strategic Planning Workshop is on April 12. PUD will reach out for representatives from IROC/Metro JPA.
- Yesterday was the beginning of the Water Use Conference here in San Diego. The Department connected with the local home brewers’ organization, inviting them to participate in a competition. Fourteen came to the Demonstration Project location and filled up on Pure Water and made a variety of different delicious beers. This event was outstanding, and was covered by the news. [She shared a short, fun news clip showcasing Stone Brewery using a special delivery of Pure Water to create a beer called “Full Circle”, as well as spoke highly about the Pure Water San Diego Program]. She noted this beer is not sold or bottled.

6. **Mayor and Council Staff Comments**

None.

7. **Presentation: Water Main Breaks & Sewer Sanitary Overflow Report** – *Stan Griffith, Assistant Director, Distribution & Collection and Agnes Generoso, Deputy Director, Wastewater Collection*

Mr. Griffith gave an update on water main breaks: Ending December 31, 2016: 25 compared to 21 same period in 2015. For calendar year 2016: 86 compared to 64 for calendar year 2015. He noted the small uptick in the trend most of which occurred in the January/February timeframe where there were 29, but the rest of the year leveled out.

Agnes Generoso gave an update on sanitary sewer spills and provided a table reporting the year end spill totals for calendar year 2016: 37 compared to 35 for calendar year 2015, the trend remains on the average. She pointed out beginning in 2015, the sanitary sewer back-ups (within a private property) were included as part of the spill totals, whereas prior years under the consent decree, these were not required to be reported. So basically the trend remains average. The total volume released in calendar year 2016 is at 6.6M gallons.

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However, this reflects the large Tecolote spill in January 2016, compared to 4K released in 2015.

8. **Discussion: Update on Recent Water Main Breaks** – Stan Griffith, Assistant Director, Distribution & Collection

Mr. Griffith provided information on a main break Member Peugh asked about at the last Infrastructure & Operations Subcommittee meeting, which occurred on January 5, 2107 in the North Park area. He indicated a major transition 30” cast iron cement-lined pipe (installed in the late 1920s) main break occurred resulting in significant flooding and damage. There was a loss of 17.6 acre-feet. The response time was approximately 30 minutes. With a pipe this vast, it requires careful shutting to avoid other breaks and issues in the area. The replacement project for this area was scheduled further out, however with this particular break the schedule was accelerated.

Rania Amen, Assistant Director, commented a change order was made which allowed the contractor to replace the segment ahead of schedule to allow the adjacent park to remain open for summer months. Member Kubota asked for information related to incident response information for the affected community. Mr. Griffith indicated Risk Management responds immediately to mitigate the damages, and anything else to minimize the impact on the citizens and reduce the City’s liability.

9. **Discussion: Public Utilities Department Financial Update** – Seth Gates, Deputy Director, Finance & Information Technology

The FY 2018 proposed budget is anticipated to be released April 14. The Budget hearing date is May 4 after 2:00 p.m.

He reviewed a provided table requested at the last Finance Subcommittee meeting, outlining the main drivers for the PUD’s Water Fund financial status update for water sales and purchases, including the imported and local water for the month of February, FY to date, and rolling 12-months for FY 2017, FY 2016, and FY 2015. He noted that in FY 2015, the totals shown reflect the majority of the year without water conservation standards.

He then pointed out the impact of the new conservation standards causing a decrease for the next two years. The conservation mandates in place seem to have caused the habits of the rate payers to permanently change. The difference between imported and production in sales is primarily due to water loss (main breaks, hydrant knock-overs, etc.) and are averaging only about an 8-9% loss. Director Razak added San Diego is looked upon by the State as one of the positive examples with such low percentages than a variety of other places. Mr. Gates continued and indicated that how water use consumption is trending will continue to be monitored and these updates will continue to be presented at the Finance Subcommittee in detail.

Chair Hess asked at what point in time can the 6.4% rate increase scheduled for July be re-examined to possibly roll it back, if there is that opportunity. Director Razak explained that as discussed in the past, there was a commitment to do two review of funds in the 5-year period. The first review is coming up, awaiting for the CAFR Report for the FY ending June 30, 2017, at which point the robust process will begin, which IROC will be involved in. The timeframe for completion is approximately May 2018 just before the following increase. Discussions continue with the State in regard to the drought.

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10. **Presentation: IROC Input on Independent Water Rate Consultant to Advise City Council & IROC** – *Don Kelley, Executive Director, Utility Consumers' Action Network (UCAN)*

Mr. Kelley gave a brief overview of the non-profit network that helps rate payers of utility services. He made reference to a report dated February 9, 2017 from the City's Independent Budget Analyst (IBA).

He gave background on UCAN's proposal to the City Council, that the City Council and IROC have available on an as-needed basis, services of an independent water rate consultant to give IROC, City Council, and IBA information or have available to obtain information from the Public Utilities Department (PUD) or to interact with their consultants, for rate design issues, water rate increase issues, as well as cost of service issues, whose mission would be to seek the lowest possible water rates consistent with safe and reliable service. He noted the motivation for the proposal was from the previous water rate increase hearing in 2015, with UCAN's lack of ability to offer input, and frustration with the process.

He added that he recently had a meeting with PUD staff where the proposal was reviewed and input was shared which in turn modified the original proposal based on recommendations. He then read from a provided presentation handout, details of the original proposal presented to the Environment Committee, consisting of six key parts. UCAN received a unanimous vote to refer this proposal to the IBA in October 2016. After evaluation of the proposal, there were four recommendations for Council adoption. He then reviewed the four recommendations, and indicated that the Environment Committee, by motion of Councilmember Sherman, approved IBA's recommendations of February 16, 2017. He then referred to a portion of the minutes from the Environment Committee, posted on the City Council website, outlining the approved recommendations of the IBA.

He commented that he admires the PUD, and recommends that IROC will take advantage of having an independent water rate consultant. He added that IROC and the Environment Committee should have a voice in the policy in terms of choices made, allowing them access to an independent consultant to give advice to help focus inquiries, and understand the issues available would be extremely beneficial. He believes the cost is minimal in light of PUD's budget and the impact of water rate increases on water customers.

Member Akin commented it can be beneficial to learn more about the complex rate process, and know what types of questions to ask, since most IROC members are not experts in this field.

Member Peugh voiced his concerns with the third point of the proposal in regard to developing a Council Policy for only transparency and access to information points, but does not include all of the other specific points within the proposal. Mr. Modica, Independent Budget Analyst, commented yes and will most likely be wrapped up into this, but these specific contract/consultant items were called out. It takes some time to develop a larger policy.

He also asked for clarification of point four in regard to getting updates on the status of its evaluation of the existing tiered rate structure. He is hopeful the allocation between the fixed and commodity charges that are an element of reliable funding and fairness to rate payers. Mr. Modica indicated he believes the request from Council was to include both tiers and the ratio between what is fixed and variable.

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Mr. Kelley commented that it should be in IROC's best interest to have this input on City policy prior to the development of the Cost of Service Study (COSS), being able to inform the City Council based on IROC's examination before their vote.

Member Kubota asked what the City's perspective is on this matter. Director Razak commented that the last rate increase was an anomaly as far as the timing, and the Governor's executive action. She believes the recommendation of the Environment Committee is fair and provides sufficient time to perform outreach and education that is needed. One of the Department's concerns is, knowing the complexity of the material, the confusion that can be created for the stakeholders, having several consultants with slightly different views.

Ex-officio Member Fong-Sakai commented that she understands that there was a timing issue where the information last COSS was not disseminated before the City Council vote, not giving IROC the opportunity to comment, but as per the passing of Proposition 218 in 1996, agencies are not allowed to charge more than the cost to provide services, so she would think the City would do a thorough job as its consultants would. Mr. Kelley added with regard to the issue of timing, IROC should have the ability to ask the right questions on assumptions and estimates made, and policy choices made that go into a COSS.

Member Justus asked what the boundaries would be in IROC engaging with the as-needed consultant. Tom Zeleny, Chief Deputy City Attorney, indicated based on the Environment Committee motion and recommendations going to the full City Council, it would be at the discretion of the IBA because this consultant would be hired to work under their direction. If the task was given to the consultant to engage with IROC, it would most likely be a meeting of one or two members of the IROC or a subcommittee.

Ex-Officio Member Spriggs indicated that both the role of IROC as an oversight body representing the public, and the complexity of the current and upcoming financial and technical issues facing the Department suggests the need for such an independent consultant, and he recommended that IROC support the appointment.

Member Akin asked if a portion of money will be set aside for the task of corresponding with IROC. Mr. Modica indicated the scope will be associated with rate cases and as the action out of the Environment Committee was to approve a resolution of intent, and the details will be worked out regarding the scope and time dedication on tasks.

ACTION: Chair Hess asked for a motion to support what the Environment Committee's recommendations are regarding this matter. Member Peugh moved to support, Vice Chair Mittal seconded. Motion passed 5-1 (Kubota Opposed)-1 (Linh abstained)

11. Discussion: Adopt FY 2018 IROC Work Plan – Gordon Hess, Chair

The provided draft plan has been modified by each of the subcommittees. He indicated an introduction was added to the Work Plan this year, which would go in front to show the relationship between the full IROC and the subcommittees.

ACTION: Chair Hess asked for a motion to approve the provided FY 2018 Work Plan. Member Akin moved to approve, Member Justus seconded. Motion passed 7-0.

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12. **Discussion: Selection of New Infrastructure & Operations Subcommittee Member(s) and Outreach & Communications Subcommittee Chair** – *Tom Zeleny, Chief Deputy City Attorney*
Jerry Jones has recently been elected Chair of the Metro JPA, so these positions with IROC have been relinquished.

ACTION: Mr. Zeleny asked for nominations Chair the Outreach & Communications Subcommittee. Chair Hess made a motion to elect David Akin as Chair. Member Kubota seconded. Motion passed 7-0.

ACTION: Mr. Zeleny asked for nominations for membership to the Infrastructure & Operations Subcommittee. Member Akin made a motion to elect Ed Spriggs as a new member. Member Kubota seconded. Motion passed 7-0.

13. **City 10 – County Water Authority Update** – *Lois Fong-Sakai, City 10 Ex-Officio*
- As a result of the recent wet winter conditions, in January 2017 the San Diego County Water Authority declared an end to drought conditions in the region; Governor Brown and the State Board are called to rescind the statewide emergency water use regulation for these areas. However, the State Board extended the State's emergency drought conditions in February, pledging to revisit them in May, when the State's traditional rainy season has ended.
 - Last week, the California Natural Resources Agency released its 10-year plan to restore the Salton Sea. The 10-year plan estimates that approximately \$380M is needed over the next decade to implement projects that are designed to protect human health and wildlife habitat.
 - San Diego County Water Authority has recently been awarded the Outstanding Civil Engineering Achievement Award from the American Society of Civil Engineers for the Emergency Storage Suite of Projects in Arlington, VA. The award was accepted in front of over 1,000 industry professionals from all over the world.

14. **Subcommittee Reports**

a. **Finance** – *Jeff Justus, Subcommittee Chair*

- Public Utilities Department Financial update was given which was talked about today.
- Discussed the IROC's FY 2018 Work Plan.

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

- 2017 Quarterly CIP report out.
- Public Utilities Department Renewable Energy Program presentation.
- Discussed the IROC's FY 2018 Work Plan.
- Discussed the partnership between the Department and Public Works Engineering is great and making things move efficiently.

c. **Outreach and Communications** – *Gordon Hess, IROC Chair*

- Discussed the IROC's FY 2018 Work Plan.
- Received the latest Department Organization Chart and staffing is becoming more sufficient.

15. **Metro/JPA Report-Out** – *Ed Spriggs, Metro JPA Ex-Officio*

- Jerry Jones is now the new Chair, with Jim Peasley being the Vice Chair.

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- Discussed concerns of the Pt. Loma Permit, currently before the Regional Water Quality Control Board, and whether it will require construction of the 30mgd at North City.

16. **Proposed Agenda Items for Upcoming IROC Meetings** – *Wilson Kennedy, IROC Coordinator*

- Preview of the PUD FY 2018 Proposed Budget
- Pt. Loma Outfall Study, History of the Permit, and Current Permit Status
- Update on the Leadership Academy Program
- I AM San Diego Program Update

After discussion of the PUD FY 2018 Proposed Budget item, it was decided there would be a special joint meeting of the Finance Subcommittee and the full IROC on April 24, 2107.

17. **IROC Members' Comments**

- IROC Annual Report will go to the Environment Committee on April 13, 2017 and he invited other IROC members to attend while he and Vice Chair Mittal present it.
- Member Kubota attended the County Water Authority's Northern California tour of the Oroville Dam and the Delta area. He urges members to sign up for these tours.

18. Meeting adjourned at 12:30 p.m.

Minutes submitted by: Monica Foster