



Independent Rates Oversight Committee (IROC)
Meeting of March 19, 2018
MINUTES

1. Roll Call

Chairman Hess called to order the full IROC meeting at 9:36 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Gordon Hess, Chair	X	
Tiffany Mittal, Vice Chair	X	
Christopher Dull	X	
Jeff Justus	X	
Jack Kubota	X	
David Akin		X
Luis Osuna	X	
Jim Peugh	X	
Linh Quach		X
<u>Ex-Officio Members:</u>		
Jerry Jones, Metro JPA <i>arrived at 9:40 am</i>	X	
Lois Fong-Sakai, City 10 <i>arrived at 10:15 am</i>	X	

City representatives present at dais: Vic Bienes, Director of Public Utilities; and Tom Zeleny, Chief Deputy City Attorney

2. Non-Agenda Public Comment

None.

3. Approval of Amended Minutes from Meeting of January 16, 2018

ACTION: Chair Hess asked for a motion to approve the minutes with two corrections: [Member Kubota] Item 8, second paragraph, last sentence, strike “*of insulation*”; and [Chair Hess] Item 12, fifth bullet, strike “*Team*” and replace with “*term*”. Member Justus moved to approve with said corrections, Member Kubota seconded. Motion passed 5 (in favor), 0 (oppose), 2 (abstained – Dull, Mittal).

4. Chair Updates – Gordon Hess, Chair

- Issues with the water meter billing will be addressed today.
- Member Mittal and himself met with members of the Mayor’s staff as well as Vic Bienes, Public Utilities Director, and discussed ways to improve IROC’s effectiveness. Staff agreed to provide a schedule of upcoming issues going before Council in advance to better schedule/plan IROC meetings. Upcoming Council agenda notices will also continue to be provided.
- Mayor’s office appointed Cathy Pieroni as the IROC liaison, and welcomed her.
- He attended the first of 2 sessions the Water Reliability Coalition and Chamber of Commerce meetings regarding potential revisions to the rate structure. The first meeting was March 1 at the Chamber of Commerce, and the second is set for April 5. All are welcome to attend with registration in advance, and will have the opportunity to provide feedback. He will be a panelist giving his and IROC’s perspectives.

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- He met with three members of the City Auditor's staff recently, and was asked questions regarding the role of IROC, some of this will be heard today. Audits will be completed over the next several months. Subcommittee chairs may be contacted.
- Working with Wilson Kennedy, IROC Coordinator, in preparation of the IROC Annual Report to the Environment Committee. The report goes before the Environment Committee on Thursday, April 12 and encourages IROC members to attend.

5. **Mayor's Office Update** – *Cathy Pieroni, Government Relations Water Policy Manager*

- The Mayor's office appreciates IROC's service and attendance. If members have recommendations for new members, please pass that information on to her.
- She has been with the Department at all of its customer outreach events including working during evenings and Saturdays with Vic Bianes and his team. The department does an excellent job reaching out to the communities, and provides excellent customer service.
- She has an office in the building and is available for any questions IROC may have, and to provide any assistance that is needed. She appreciated the meeting with Chair Hess and Vice Chair Mittal recently, and wants to continue the open communication.

6. **City Staff Updates** – *Vic Bianes, Director*

- Kris Michell is the City's newest Chief Operating Officer as Chief Scott Chadwick moved on to the City of Carlsbad. Ms. Michell has been onboard for about a month.
- Cathy Pieroni will be assisting with IROC and the Metro JPA, so members may see her more often. There will be more of a collaborative approach working with both committees.
- I AM San Diego launched Monday, March 12. Both Public Utilities and Transportation & Storm Water departments are using this Asset Management tool. We are one of the only organizations encompassing a larger perspective on asset management across the board. Staff is working diligently learning the new software covering planning, all the way to work orders, and maintenance. Very excited about this program, it is a comprehensive tool that will look at many aspects, including coordination of warehouse needs.
- Working with the Chamber of Commerce on the water reliability coalition and rate structures as Chair Hess mentioned earlier, going back to that organization on April 5.
- The Ocean Monitoring Program had a very successful open house, with more than 300 attendees, including children and college students. It was a great opportunity for all.
- Customer Service monthly billing issues remain a priority with the department. There will be a customer session here on Saturday morning, March 24, then to the Jacobs Center at 2:00 p.m. for the southern area residents.

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7. **Discussion: Monthly Billing Update** - *Vic Bienes, Director*

Director Bienes made opening comments indicating PUD takes full responsibility, and has heard and understands the concerns of the community. He provided a detailed background of the unprecedented situation of the recent water meter readings, as well as the process taking place to resolve the issues. He indicated this is a top priority and PUD is doing everything possible to address the issue, ensure customers only pay for water used, and evaluate all components of the billing process and more. He also described many efforts that have taken place immediately. He shared ways for customers to keep in contact. He noted 3 community forums have taken place with great success, and a fourth is scheduled this Saturday as well as at the Jacobs Center. He listed the many ways to make contact with customer service for any issues or needs. A link for online submittal for customer inquiries has also been established [www.sandiego.gov/water].

Director Bienes reviewed the various water meter reading and testing/operational enhancements, procedures and safeguards, noting a newly installed state-of-the-art water meter test bench for efficiency and accuracy which will be in operation this week.

Underway are City auditor reviews of the billing practices and performance of the Smart Meter installations (no issues have been detected to date), as well as analysis of consumption data to determine patterns of anomalies, and reviews are going well. Also, to ensure this situation is being reviewed from every perspective, he has entered into a contract with a third-party consultant [West Monroe] that has done work with other large water agencies who have encountered similar challenges, to perform an end-to-end performance of our operations. Additionally, he has reached out to California Urban Water Agencies made up of some of the largest water agencies to evaluate their standard operating procedures and billing, to possibly adopt new or additional processes to improve our billing system and customer service components.

Next steps include continue to work tirelessly to address all concerns to customers' satisfaction, review of standard operating procedures from other large water agencies, and continue to evaluate data and organizational structure for the billing process to ensure efficiency and accountability, and reports from staff to the Environment Committee in June on updates and actions taken. [A video was shared of clips from the March 10 community session]

By request of Chair Hess, Member Kubota shared his experience of the community forums. Member Kubota indicated he has attended the 3 forums and they were extremely informative, received well by the community, staff was professional, committed and helpful, and the crisis team put together was impressive. He indicated the comments shared on the video were on point. He recommends members attend a forum if time permits.

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Member Peugh asked where the costs will be diverted to for this extensive obligation. Ms. Jones-Santos indicated all expenditures are being tracked, and resources are being redirected.

Member Mittal asked for clarification of an issue she learned about related to the meter size versus the connecting pipe creating an inaccurate read. Tom Howard, Deputy Director described the proactive measures taken place to determine this recent situation. He displayed water meters demonstrating how they work, and explained there were 5 mismatched with the wrong size registers. A number of calculations and tests were performed to come to this conclusion and it was an isolated situation. Member Mittal indicated she would like IROC to have access to the report to the Environment Committee when updates are given, as well as the report from West Monroe when this is complete. Director Bienes took note and indicated he will check with the City Attorney.

Ex-officio Member Jones asked how the cost is justified going from manual reading to AMI. Lee Ann Jones-Santos, Assistant Director indicated she was not prepared with that information on hand, however an evaluation of the cost benefit would have been performed; further, the many benefits provided to the customers are extremely valuable.

Public speaker: Hal DeLong of San Diego indicated he was one of customers that was affected by the billing spike issue. He explained he has interacted with neighbors and surrounding areas and gathered information to conclude the magnitude of the problem could possibly be larger than recognized. He understands there will be a thorough audit performed and this is comforting. However, he is a class of customer that is affected by higher than usual bills for some time and have not returned to normal has not been described here today. He indicated he heard today the limited description of the audits, but encourages IROC to review the audit components and be sure the evaluations are not limited to only misreads, and spikes but also persistent long-term changes in water usage claims, and other issues that cannot be substantiated. Last, would like to hear the qualifications of the cost differential of replacing from old meters with new more accurate meters.

Director Bienes commented that he is just as frustrated with the unfortunate issue as well, and indicated he has been tasked to look at every component associated with the billing, implementing standard operating procedures, testing, and tightening up all processes, as well as having a City audit as well as an independent audit to cover all aspects. He greatly appreciates the feedback. Chair Hess added he has spoken to the auditors and they confirmed they will be making a presentation to IROC once the findings are complete in the next few months.

Chair Hess asked about meter accuracy testing. Mr. Howard described the sophisticated testing process with the new state-of-the-art equipment the City uses to test according the American Water Works Association M6 Standard, testing has begun and is highly accurate. Director Bienes added as a courtesy if a customer would like their meter tested this is now being offered free of charge.

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8. **Presentation: Pure Water Cost and Schedule Update** – *John Helminski, Assistant Director and Lee Ann Jones-Santos*
Items 8 and 9 are incorporated into one presentation.

Mr. Helminski presented an update on North City Phase I (Design and Construction Management); the regulatory approval process, noting the Pt. Loma Modified Renewal Permit was approved in April 2017 with a 5-year cycle start date of October 1, 2017, and the EIR final document was made public for comment, and anticipated to go before Council on April 10 - IROC is invited to attend. He noted the comment period for NEPA ended January 8, 2108.

Ms. Jones-Santos gave an overview of the financial update of the cost for the Pure Water Program and the impact to the Cost of Service Study (COSS). She reviewed the last estimates indicating no changes to Pt. Loma Waste Water Treatment Plant compliance for secondary treatment, nor the cost of Pure Water to achieve 83 MGD, but a slight update in cost to Phase I, 30 MGD - from \$1-1.2B to \$1.4B. She referred to a detailed schedule of the individual projects (to date), pointing out several are at 60-90%, but from a financial look many are still at 60%. She offered a reminder that PUD is still in design, and a newly hired construction management firm will be reviewing the estimates for additional efficiencies, however future projections may vary. In addition, calculations can fluctuate as we move forward with the bidding of work, as well as steel costs at the time.

She reviewed Phase I funding opportunities such as Water Storage Investment Program grant, SRF loans, EPA WIFIA, local resource program funding through County Water Authority, pay-go funds, bonds, and a possible cash components.

Mr. Helminski reviewed the successful outreach efforts on Pure Water, listing community events, tours of the plant, presentations, youth involvement, and support pledges noting the media and industry involvement. He listed the latest awards received for the Pure Water Program.

Chair Hess asked what range of pay-go is anticipated. Ms. Jones-Santos indicated that still needs to be determined and depends on grant opportunities and WSIP/WIFIA. He also asked about how the updated numbers impact the COSS assumptions in about FY 2020, and will this be included in the Review of Funds. She indicated this will not be included, as it is the look-back of FY 2016-2017, and even though the overall project costs are slightly increased, most will be financed so this would not impact the current COS that has been approved.

Brent Eidson, Program Manager of External Affairs distributed the Year in Review Report to IROC members.

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9. **Discussion: Impact of Updated Pure Water Costs on COS and Proposition 1 Grant Application Status** – *Lee Ann Jones-Santos, Assistant Director*
See above.
10. **Presentation: Financial Calendar (Highlight IROC Involvement)** – *Lee Ann Jones-Santos, Assistant Director*
Ms. Jones-Santos reviewed a spreadsheet detailing the draft FY 2018 key budget dates for PUD. She pointed out IROC will have a special finance meeting in April which will include the FY 2019 proposed Budget presentation, and covering the alternative water rate structure and an update on the Review of Funds.
11. **Discussion: Alternative Water Rate Structures** – *Lee Ann Jones-Santos*
In regard to Item 4, bullet 4 comments above by Chair Hess, PUD participated in meeting 1 and looking forward to participating in meeting 2. In addition, information has been gathered from a variety of stakeholders, and now working with Raftelis to review what PUD can bring back in future meetings showing some alternatives. Additional information will be forthcoming.
12. **Discussion: Recommended Performance Audit** – *Gordon Hess, IROC Chair*
This item was heard out of order, and followed Item 13.
IROC is required to submit one audit topic to the City Auditor’s Office each year, which has not been the case over the past few years. Last meeting a motion was made to recommend the AMI Program, and the motion failed 3-3. By request of City Council, the Auditor’s Office is going to be doing this audit after all. Other topics included the Purple Pipe pricing study and production, vacancy rates and processes, the reporting of miles awarded/completed on Water and Sewer sides – perhaps a process audit would be appropriate to see if there can be improvements to the process of reporting.

ACTION: Member Peugh made a motion to recommend an audit of the reporting process for the reporting of miles awarded/completed to determine improvements that can be made. Seconded by Member Justus. Motion passed 7-0-0.
13. **City 10 – County Water Authority (CWA) Update** – *Lois Fong-Sakai, City 10 Representative, Ex-Officio*
This Item was heard out of order, and followed Item 11.
- CWA entered into an Agreement with Southwest Strategies for its regional communication program “Brought to you by Water”, with a plan to focus how water affects our local economy and quality of life.
 - Received an update on water supply conditions and drought response activities.
 - Received a presentation on the California Water Fix by staff. Many questions remain, and they are uncertain whether it would be a single or dual line, and what the costs will be. More information to come.
 - San Vicente Energy Project: CWA and the City are still negotiating a contract with Tenaska-Diamond Joint Venture. A workshop is on the horizon to have

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transparency and deep understanding of all aspects. Target for an agreement is by May, 2018.

- The City of San Diego has submitted paperwork to the CWA regarding Metropolitan Water District's LRP funding program.

Member Kubota asked about the City's retention of a consultant to work on the Pump Storage Project, and is this project along far enough for a presentation. She indicated it is pre-mature at the time, but can bring back information as it progresses.

14. Subcommittee Reports

a. Finance – *Jeff Justus, Subcommittee Chair*

- Update on the general financial update and the mid-year budgeting update. The proposed Budget will be presented to full IROC and will include an update on the Review of Funds on April 23. As part of the budget going forward, there has been a request across the board for a 2% cut and is not off the entire budget but some offsets in some areas.
- Discussion of the Wastewater COSS in a 5-year span, the last was in 2007 for a rate increase at 2011 and updated in 2013 with no increase. Will be looking to see if a new COSS will go forward or a re-evaluation of rates with the next review.
- Discussion on Pure Water and funding as discussed earlier.
- Application for the \$219M of Prop 1 still being evaluated
- Discussion of Review of Funds. The report will be reviewed with Raftelis and will be presented to IROC in the future.
- Discussed the evaluation on the AMI Program. The 50/50 split was re-evaluated and will be revised to 70% Water fund and 30% Sewer fund.

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

- Presentation on the recent main break on Mission Bay Drive that caused freeway and gas line implications. It was built in 1950.
- Received a regular quarterly update on the Capital Improvement Projects

15. Metro/JPA Report-Out – *Jerry Jones, Metro JPA Representative, Ex-Officio*

- Good progress is being made on working with the City on cost sharing and getting close to an interim mechanism which will ultimately be an amendment to the Wastewater Agreement between the JPA and City to include Pure Water
- Presentation from City staff on the Central Area Alternative Evaluation and may come to IROC at some point. He noted a committee was formed last year and the collaboration has been extraordinary working with the City looking at Phase I of Pure Water and a look ahead at the second stage of Pure Water. Exchanging ideas has been phenomenal, which is a step in the right direction.
- He was disappointed that Pure Water EIR did not mention a fail/safe system and create a critical system for North City. They will continue to work with the City on next steps.

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16. **Proposed Agenda Items for Upcoming IROC Meetings**– *Gordon Hess, Chair and Wilson Kennedy, IROC Coordinator*
None.
17. **Discussion by Request Only: Monthly Sales and Water Use** – *Gordon Hess, IROC Chair*
None.
18. **IROC Members' Comments**
Member Peugh brought up concerns of future art at facilities, mainly the replication of straws. He would like learn more about it, as he is not in concurrence with the choice of art as it may not be positively taken by the public.
19. **Meeting adjourned:** 12:09 p.m.

Minutes submitted by: Monica Foster, Administrative Aide II