



**Independent Rates Oversight Committee (IROC)
Meeting of November 19, 2018**

1. Roll Call

Chair Mittal called the full IROC meeting to order at 9:32 a.m. Yvonne Blantz conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Tiffany Mittal, Chair	X	
Jeff Justus, Vice Chair	X	
Christopher Dull		X
Gordon Hess	X	
Jack Kubota	X	
David Akin	X	
Luis Osuna (arrived at 9:45)	X	
Jim Peugh	X	
Linh Quach	X	
Robert Weichelt	X	

Ex-Officio Members:

Jerry Jones, Metro JPA		X
Jim Peasley, Metro JPA Alt.		X
Lois Fong-Sakai, City-10	X	

City representatives present at dais: Matt Vespi, Interim Director of Public Utilities; Christine Leone, Deputy City Attorney; John Helminski, Assistant Director; Cathleen Pieroni, Government Relations Water Policy Manager.

2. Non-Agenda Public Comment

None.

3. Approval of Updated Draft Minutes from Meeting of September 17, 2018

ACTION: Chair Mittal asked for a motion to approve the minutes with one correction: Item 10, last bullet, change Member Peugh to Member Hess. Motion by Member Hess to approve the minutes of September 17, 2018 with this change. Second by Member Akin. Member Osuna was not present for the vote. Motion passed unanimously 8 (in favor) – 0 (opposed) – 0 (abstain).

4. Approval of Draft Minutes from Meeting of October 15, 2018

ACTION: Chair Mittal asked for a motion to approve the minutes. Motion by Member Hess to approve the minutes of October 15, 2018 as submitted. Second by Member Peugh. Member Osuna was not present for the vote. Motion passed 7 (in favor) – 0 (opposed) – Member Justus (abstain).

- Chair Mittal requested that a section be added to the end of the meeting minutes to include the pending action items discussed during the meeting.

5. Chair Updates – Tiffany Mittal, Chair

- Chair Mittal met with the department and discussed future agenda topics. She also met with Interim Director Matt Vespi who is thorough and committed to transparency. She is looking forward to working with him.
- On behalf of the committee, our thoughts and prayers go out to those impacted by the fires.

6. Mayor and Council Staff Comments – Cathy Pieroni, Government Relations Water Policy Manager

- There was a brief discussion on the proposed water tax from Sacramento. There are a couple of different perspectives including AB 401 to allocate funds for low income rate assistance.
- Central Valley residents that do not have access to drinking water have access to bottled water and funding for potential long-term solutions.
- Place a tax/fee on water bills for potential programs. This did not get approved previously, but now they do have enough for a vote.
- Member Peugh commented that would generate a lot of revenue from all the meters in California. Ms. Pieroni responded that they are trying to collect about \$180M a year and perhaps \$30M – \$40M from a fertilizer tax.

**Independent Rates Oversight Committee (IROC)
Meeting of November 19, 2018**

- Member Hess commented that they would need voter approval for that and he would expect that it would be challenged.

7. City Staff Updates – Matt Vespi, Interim Director

- Four Pure Water related items were approved: 1) Authorization of construction contracts – the request was for authorization for the Mayor to advertise and award over \$1B worth of construction contracts for Phase 1 of Pure Water. Those contracts will start going out to bid in early calendar year 2019 with ground breaking anticipated around April 2019. 2) Approval of an amended and restated agreement with the Metro JPA. 3) Approval of an owner controlled insurance program. 4) Reservation of rights agreement with SDGE related to utility relocations for Pure Water construction. Congratulations to John Helminski and his team for this work.
- On October 31st, we were at the Audit Committee and we have an update on our progress on recommendations coming out of the billings operations audit. Jane Arnold is here to give the same presentation we discussed at the Audit Committee.
- Contract with ITRON – On November 1st, we were at the Environment Committee to request \$25M to continue purchasing equipment for our AMI rollout.
- Member Kubota inquired about the scope of work for Frank Belock. Interim Director Vespi stated Mr. Belock is doing data collection and will be providing his recommendations in December for report-out in December or January.
- Chair Mittal asked if the recommendations must be presented to Committee before they can see the progress of recommendations from other audits. Interim Director Vespi stated the current process is to go to Committee before presenting to IROC.

8. Discussion: IROC Request to IBA to Engage Rate Consultant – Tiffany Mittal, Chair

- Member Kubota was curious about the scope of work for the person/consultant that would be hired. Angela Colton, Fiscal & Policy Analyst (IBA), stated they review all items that go before City Council for approval. She indicated it is their normal course of business to review any rate case or any rate adjustments that have been proposed and/or presented before Council.
- Chair Mittal commented that because members are not experts in rate structures, they would want to make sure that they are providing valuable input. Ms. Colton commented that IROC is looking for an educational component about different ways rates can be set up and that would be outside the scope of what her department does.
- Deputy Director Charles Modica stated IROC should feel free to contact PUD with any questions or concerns. Assistant Director Lee Ann Jones-Santos mentioned that in terms of rate alternatives, the department welcomes their suggestions and indicated there is a very open process for rate alternatives.

ACTION: Request for IBA to engage a Rate Consultant to assist IROC. Member Peugh moved, Member Justus seconded. Motion passed 8 (in favor) – 0 (opposed) – Member Kubota (abstain).

Towards the end of the meeting after further discussion and consideration, this action was rescinded.

ACTION: To rescind the request for IBA to engage a Rate Consultant to assist IROC. Member Akin moved, Member Osuna seconded. Motion passed 9 (in favor) – 0 (opposed) – 0 (abstain).

9. Presentation: Water Billing Operations Improvement Project Update – Jane Arnold, Program Manager

- Progress report on the implementation of the audit recommendations.
- Overview of West Monroe engagement, assessment report, and recommendations.
- Total of 10 audit recommendations; consisting of 25 deliverables.
- PUD is on track to implement all 10 audit recommendations by June 2019
- Member Hess and Chair Mittal asked if IROC could get a copy of this report monthly. Interim Director Vespi agreed to accommodate the request.
- Ex-Officio Fong-Sakai questioned if there was a problem with the Meter Reader passcodes. Assistant Director Jones-Santos indicated that the audit looked at individual Meter Reader IDs and found two instances where somebody used the incorrect ID number. To ensure that does not occur in the future, PUD added passwords so if Meter Readers accidentally passed numbers into the system when entering their password, they would automatically get kicked-out of the system.

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

- Chair Mittal asked about approval of the final recommendations for the SOP and how is it verified. Ms. Jones-Santos stated they review the SOP and sample data.
- Member Peugh asked for an explanation on what a skip code is. Ms. Arnold stated a skip code is a code that is keyed into the handheld device when Meter Readers are not be able to read meters for various reasons. Ms. Jones-Santos gave an example by stating a skip would be used if a meter is blocked by a vehicle.
- Ms. Arnold mentioned she is looking at industry standards for key performance indicators.

10. **Discussion: ITRON Contract** – *Lee Ann Jones-Santos, Assistant Director*

- Agreement with Itron for AMI services for citywide deployment.
- AMI uses smart water meters and a fixed network to securely transmit water consumption data to the city's billing system.
- Current total water meter population is ~281,000; ~98,000 AMI-ready meters now installed.
- Next – Procure remaining AMI equipment; formalize plan/timeline; AMI education/outreach.
- Member Akin asked if the department is still planning to use city staff for this project. Ms. Jones-Santos stated that they are evaluating that possibility and how to implement the most efficient options.
- Member Peugh asked about the benefits of contracting out. Interim Director Vespi stated the benefits are getting caught up on the backlog and the volume of work.
- Member Hess commented on the Auditor doing an audit on the AMI Program and if the status was known. Ms. Jones-Santos stated the AMI audit results are expected around in April 2019.
- Ex-Officio Fong-Sakai commented on the reliability of the system, Ms. Jones-Santos stated that within the contract there's always warranty and other coverages and if there were a problem later the department would work with the City Attorney to address them.

11. **Discussion: Alternative Rate Process:** – *Lee Ann Jones-Santos, Assistant Director*

- Activities & Outreach – Engagement with Raftelis; development of materials and workplan; multiple meetings have been held in a variety of formats.
- Water Rate Structures – Proposition 218; common rate structure objectives; current rate structure; and alternate rates structures.
- Stakeholder & Customer Input/Next Steps – Summarize information received; prepare report; present to the Environment Committee and IROC, and seek input on what alternatives should be pursued; incorporate into the next rate case as a potential option to be considered.
- Ms. Jones-Santos suggested Raftelis, PUD's current Rate Consultant, provide workshops for IROC related to rate alternatives and the Cost-of-Service process.
- Member Weichelt commented that there was no rate design to incentivize conservation. Ms. Jones-Santos commented the current system does incentivize conservation, but more specifically for single-family residential customers.
- Chair Mittal commented that this topic initially came up in July 2015 when South Bay came to our meeting and they were upset about the recycled water rates. That discussion is what initially caused us to consider different rate structures and how the different classes are studied to figure out what proportion of the rate went to each of the different classes. IROC has been pushing to get this alternative rate structure review going, but we kept being told we had plenty of time. Now, to hear we may not have time to do this before the 2020 cost-of-service study is very frustrating because we have been pushing for it for many years. Chair Mittal was concerned even when the Committee started talking about it in 2017. Chair Mittal just wants to make it known that IROC tried to kick it off earlier and there was push back on the issue, so now she would like to push it forward because IROC had been told they had plenty of time. Ms. Jones-Santos stated PUD would bring an update to the finance subcommittee or full IROC.

12. **Discussion: Membership Changes to the Outreach & Communications and Finance Subcommittees** – *Christine Leone, Chief Deputy City Attorney*

- Postponed to the next meeting on December 17, 2018.

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

13. **City-10 – County Water Authority (CWA) Update** – *Lois Fong-Sakai, Ex-Officio, City-10 Representative*
- Since our last IROC meeting, San Diego County Water Authority Board Chairman Jim Madaffer sent a letter to all Board Members of the Metropolitan Water District with an outline and rationale for the Water Authority’s approach to settling its litigation disputes. The letter was sent prior to the negotiation team meeting, so the letter did not violate release of any confidential discussions. The highlights are based on the following premises:
 1. Neither party should be expected to give up anything it has already won.
 2. The Exchange Agreement would be set as a price certain of \$369 per acre-foot starting January 1, 2019 for delivered water (including power), with annual adjustments tied to the Gross Domestic Project.
 3. To dismiss, without prejudice, its Water Stewardship Rate on supply claims in all pending litigation, based on Metropolitan’s agreement to fund the LRP agreements with our member agencies.
 4. The Metropolitan would implement a 200,000 acre-foot Colorado River Intentionally Created Surplus subaccount and delivery flexibility under the Exchange Agreement to maximize Water Authority storage in Lake Mead.
 - The Water Authority is hopeful that by sending this letter to the Metropolitan Board Members that there will be increased transparency of the negotiations and that litigation will soon conclude and result in substantial benefits to both agencies.
 - On October 19, President Trump issued a memo on “Promoting the Reliable Supply & Delivery of Water in the West.” Among other things, the Presidential memo directs the Secretaries of Interior and Commerce to work together to reduce “unnecessary regulatory burdens and foster more efficient decision-making so that water projects are better able to meet the demands of their authorized purpose,” including developing a plan to potentially “suspend, revise and rescind any regulations and procedures” that are too burdensome.
 - With that, the memo calls for “the ongoing review” of the long-term operations of the State Water and Central Valley projects to be completed and the issuances of “an updated Plan of Operations and Record of Decision.”
 - It remains unclear how the federal government’s action will impact the State Water Project yield, as well as the future Water Fix. Added to this complexity is the State Board’s Bay-Delta Water Quality Control Plan that call for more outflow, thus potentially reducing water available for export. There are still a lot of things that need to be sorted out.
14. **Subcommittee Reports**
- **Finance** – *David Akin, Subcommittee Chair*
 - Department Vacancy Update
 - FY 2018 IROC Annual Report Preparation
 - **Infrastructure & Operations** – *Jim Peugh, Subcommittee Chair*
 - Condition Assessment Program
 - Water Pump Stations Assessment Study
 - Water Main Break Updates
 - FY 2018 IROC Annual Report Preparation
 - **Outreach & Communications** – *Linh Quach, Subcommittee Chair*
 - Communications Department
 - FY 2018 IROC Annual Report Preparation
15. **Metro/JPA – Report Out** – *Jim Peasley, Metro JPA, Ex-Officio Alternate*
None.
16. **Proposed Agenda Items for Upcoming IROC Meetings** – *Wilson Kennedy, Supervising Management Analyst and Tiffany Mittal, Chair*
- Condition Assessment Report
 - Water Pump Stations Assessment Study

IROC proposed the formation of an Ad Hoc Committee to review of the Charter.

ACTION: Chair Mittal asked for a motion to approve their proposal to form an Ad Hoc Committee to review the Charter. Member Akin moved, Member Justus seconded. Motion passed unanimously 9 (in favor) – 0 (opposed) – 0 (abstain).

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

17. **IROC Members' Comments** – IROC Members

- Pending action items discussed during this meeting:
 - From item 7 – Report out on Mr. Belock's recommendations in December or January.
 - From item 9 – Member Hess and Chair Mittal asked if IROC could get a monthly progress report on the implementation of the billing operations audit recommendations and PUD agreed to accommodate this request.
 - From item 11 – An alternative rate process update will be presented to the Finance Subcommittee or full IROC.

18. **Meeting adjourned:** 12:58 p.m.

Minutes submitted by: Yvonne Blantz