



Independent Rates Oversight Committee (IROC)
Meeting of December 17, 2018

1. **Roll Call**

Chair Mittal called the full IROC meeting to order at 9:35 a.m. Valda Leitch conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Tiffany Mittal, Chair	X	
Jeff Justus, Vice Chair (arrived at 9:40)	X	
Christopher Dull	X	
Gordon Hess	X	
Jack Kubota	X	
David Akin	X	
Luis Osuna		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; Tom Zeleny, Chief Deputy City Attorney.

2. **Non-Agenda Public Comment**

None.

3. **Approval of Draft Minutes from Meeting of November 19, 2018**

ACTION: None.

Chair Mittal asked for a delay of the approval of these minutes due to revisions.

4. **Chair Updates** – Tiffany Mittal, Chair

- Chair Mittal met with Matt Vespi to discuss IROC and our hopes for continued support from PUD.
- Met with the San Diego County Apartment Association along with Charles Modica and Member Gordon Hess. They discussed alternative water rates for multi-family ratepayers and met at least 30 representatives of the local multi-family market.
- Participated in a meeting with Dr. Joel Day, Beth Murray, and Wilson Kennedy. Dr. Day oversees all the Boards and Commissions of San Diego. He held the meeting to discuss how to help our committee going forward and to offer support.
- Chair Mittal also met with Cathy Perroni and the interim contact from the Mayor's office (Adrian Granda, Public Policy Manager) who will be the point of contact until a replacement is designated for Ms. Pieroni's role.

5. **Mayor and Council Staff Comments**

- None

6. **City Staff Updates** – Matt Vespi, Interim Director

- Thunderstorms in San Diego caused a temporary homeless shelter on 16th and Newton to flood. The adjacent lot covers two city blocks. The property owner had been doing soil remediation for petroleum. As a result, the area filled with water and is believed to have caused part of the flooding. Wastewater crews were tasked with pumping that water out. We have tracked all expenses and we will be invoicing the property owner for reimbursement. We pulled an Industrial Wastewater controls permit and pumped the water into a 10-inch main and a 32-inch main.

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- The department is in the process of concluding our first Five-Year Financial Outlook. We are changing the format this year by making it into one comprehensive document for both water and wastewater. We plan to bring this forward to IROC in January.
- The Public Utilities Director position has not been posted yet, but it should go up this week.
- Stacey Lomedico and Frank Belock are wrapping up their work. Mr. Belock is ready to provide some of his recommendations. They should be available by January/February. Member Peugh asked if the committee could see all the recommendations rather than just the ones the departments is interested in implementing. Matt Vespi agreed.
- Mr. Vespi commented about an inaccurate article from the Voice of San Diego about lead water lines in the City. Rania Amen, Assistant Director, commented on the State requirement on inventory of service lines and their material makeup. This requirement was due in July 2018 and PUD complied.
- Member Hess commented on if PUD was going to respond to the inaccurate stories. Mr. Vespi stated PUD is working through the Mayor's office to respond. All of PUD's cast iron mains are scheduled for replacement. The financial expense related to replacing services are already built into our Capital Improvement Program.

7. **Presentation: Rate Considerations and Alternative Structures** – *Habib Isaac, Raftelis*

- Proposition 218 (Arts. XIII C and D of State Constitution)
- Steps to Navigate Legal Issues
- Rate Pricing Objectives
- Prominent Considerations
- Primary Drivers Impacting Rates
- Update How Utility Costs Are Incurred
- Reallocate Cost to Customers Based on Burden
- Further Apportionment to Tiers
- Water Supply and Potential Demand
- Competing Pricing Objectives Influencing Rate Alternatives
- Revenue Stability Options
- Current Rate Structure
- Alternative Rate Structures
- Next steps
 - Summarize information received
 - Prepare report that lays out potential alternative rate structures (January 2019)
 - Present information to the Environment Committee and IROC, and seek input on what alternatives should be pursued (January-February 2019)
 - Incorporate into the next rate case as a potential option to be considered (Fall 2019)
- Ex-Officio Fong-Sakai questioned how costs are recovered for firefighting water. Mr. Isaac stated fire protection is a component of any utility to meet fire flow demands and is spread to all customers.
- Member Hess commented on the purpose of the Pure Water Project being to provide more reliability not necessarily new demand and he thinks it is important to have at least a good portion of costs allocated to the middle tiers rather than to the higher tiers.
- Member Peugh asked if it is anticipated to have any conservation incentives for industrial and commercial. Mr. Isaac commented that he would not view them as being uniform rates, because there are so many different commercial and industrial types.

8. **Presentation: Water Billing Operations Improvement Project Dashboards** – *Rania Amen, Assistant Director and Jane Arnold, Program Manager*

- West Monroe LLP identified six (6) root causes of high bill complaints via data analysis, field/office observations and discovery interviews.
 - Higher rates, an extended billing period, and ending mandatory conservation rules, combined with a historically dry season, led many customers to believe they were being overcharged.
 - Common operational problems persist.
 - Meter reading quality control, particularly in handheld reading devices, is insufficient to properly identify misreads or falsified reads.

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- Customer bills can be misleading, as graphs do not account for days of service, weather patterns, and/or conservation years.
- There is a lack of accessible data, quality information and collaboration across groups, which is necessary to achieve City objectives (i.e., deliver timely, accurate bills to customers).
- Current manual meter reading process does not provide sufficient granularity to trouble shoot high bill concerns.
- Eight (8) recommended initiatives were given to address high bill root causes, mitigate future risks, and restore customer confidence.
 - Enhance conservation messaging
 - Improve internal operations
 - Enhance meter reading controls
 - Revise bill presentment
 - Become a data-driven utility
 - Accelerate AMI deployment
 - Be a customer-centric utility
 - Create a great place to work
- PUD will continue to implement the West Monroe LLP recommendations
- Chair Mittal asked why the project tracking was focused on West Monroe instead of the City Auditor's recommendations. Ms. Arnold stated tracking for both is being done, but this presentation is for West Monroe.

9. **Discussion: FY 2018 IROC Annual Report Preparation and Recommendations** – *Tiffany Mittal, Chair*

- Preliminary recommendations from the draft annual report are related to the following topics:
 - Audit Reports and Tracking; Audit Recommendations; San Diego Pure Water Program; AMI; Five-Year Financial Outlook; Strategic Plan; IROC Inspection Tours of Facilities; Review of Funds; Alternative Rate Structure; Water Sales and Purchases; Pipeline and Facility Condition Assessments and Aging Infrastructure; Independent Consultant; and Meeting Structure.
- The Ad Hoc Committee will continue with their revisions and provide PUD with the annual report and recommendations for review.

10. **Discussion: Membership Changes to the Outreach & Communications and Finance Subcommittees:** – *Tom Zeleny, Chief Deputy City Attorney*

ACTION: Motion by Member Aiken and seconded by Chair Mittal to add Member Weichelt to the Outreach & Communications Subcommittee. Motion passed unanimously 8-0.

ACTION: Motion by Chair Mittal and seconded by Member Hess to add Member Weichelt to the Finance Subcommittee. Motion passed unanimously 8-0.

11. **City-10 – County Water Authority (CWA) Update** – *Member Hess on behalf of Lois Fong-Sakai, Ex-Officio, City-10 Representative*

- During the December 6th San Diego County Water Authority Board meeting, all the committees presented Final Work Plans for calendar years 2017 and 2018. In January, each committee will begin to develop the goals for calendar years 2019 and 2020. The draft goals will be presented to each committee in February for review and comment, after which they will be presented to the full Board in March for adoption.
- Notable actions taken in December include the approval of a construction contract with Kiewit Infrastructure West for the rehabilitation of the Northern First Aqueduct Structures and Lining. The First Aqueduct consists of Pipelines 1 and 2, which were brought online in 1947 and 1954, respectively. To extend their service lives, this project will rehabilitate 14.5 miles of pipeline and 60 pipeline valve and access structures.

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- To take advantage of the low interest rates, the Board authorized the refinancing of \$203,215,000 of Water Furnishing Revenue Bonds for the Claude “Bud” Lewis Carlsbad Desalination Project Conveyance Pipeline. This action does not increase the amount of debt, nor extend the life of the debt currently outstanding. The estimated new interest rates on the Series 2019 Pipeline Bonds are expected to result in a present value savings of \$13.6 million in future debt service payments.
- In addition, staff provided an update on the status of the Oroville Dam Main Flood Control and Emergency Spillway Repair, and on Metropolitan Water District’s draft white paper on their Evaluation of Regional Storage Portfolio effort. MWD staff recommends an emergency storage requirement of 650,000 acre-feet, which relied on its 2015 IRP update. However, conditions have changed and County Water Authority staff believes this volume should be lower. In addition, it includes 90,000 acre-feet of the County Water Authority’s Emergency Storage Program supplies, while other member agency supplies have not been included. The County Water Authority has submitted a comment letter to MWD requesting modifications and clarifications.
- New City-10 representative is Almis Udrys, Deputy Chief of Staff Policy & Innovation. He is taking over Vic Bienes’ seat.
- County Water Authority is hosting a Legislative Roundtable this afternoon from 1-3 PM with California State Assembly Minority Leader Marie Waldron.

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

- Along with the Pure Water contract being awarded, the amended and updated agreement between the JPA and the City of San Diego was also approved and signed by the Mayor.
- Mr. Zeleny, Chief Deputy City Attorney, stated the agreement is not effective until all the JPAs sign.

13. **Proposed Agenda Items for Upcoming IROC Meetings** – *Wilson Kennedy, Supervising Management Analyst and Tiffany Mittal, Chair*

- This item will be discussed at the next meeting.

14. **IROC Members’ Comments** – IROC Members

- Pending action items discussed during this meeting:
 - From item 6 – PUD plans to present the Five-Year Financial Outlook to IROC in January.
 - From item 6 – PUD to provide IROC with all of Mr. Belock’s recommendations.
 - From item 7 – Raftelis to present potential alternative rate structures to IROC and seek input on what alternatives should be pursued.
 - From item 9 – The Ad Hoc Committee will provide PUD with the annual report and recommendations for review.
 - From item 12 – PUD agreed to have the agreement between the JPA and the City of San Diego distributed to IROC.

15. **Meeting adjourned:** 12:22 p.m.

Minutes submitted by: Yvonne Blantz