

Independent Rates Oversight Committee – IROC

July 13, 2009  
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1. **Roll Call**

Chairperson Billings called the meeting to order at 9:30 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

<b>Member</b>	<b>Present</b>	<b>Absent</b>
Donald Billings, Chair	X	
Linda Cocking	X	
Tony Collins <i>arrived at 9:55</i>	X	
Christopher Dull	X	
Andy Hollingworth	X	
Jack Kubota	X	
Barry Newman	X	
Jim Peugh	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch		X
ExOfficios		
Scott Tulloch, Metro JPA		X
Augie Caires, Alternate	X	
Ken Williams, City 10	X	

2. **Non-Agenda Public Comment**

There were no non-agenda public comments.

3. **Approval of Minutes from 6/8/09**

Chairperson Billings asked for a motion to approve the Minutes of June 8, 2009. Committee Member Hollingworth noted his name did not appear on the Roll Call, and Charles Richardson’s name remained on the Roll Call. It was requested to be corrected to reflect his attendance, and remove Charles Richardson’s name. Committee Member Newman moved to approve the Minutes with said corrections made, Committee Member Peugh seconded, all were in favor to approve the Minutes considering corrections are made.

4. **Approval to adjourn the IROC and IROC Subcommittee meetings in August, 2009**

Chairperson Billings stated he will not be able to attend the scheduled August 10 meeting. He asked for a motion to go “dark” in August for all IROC Subcommittee meetings as well as the full IROC meeting. Committee Member Hollingworth moved and Committee Member Newman seconded. All were in favor to go dark in August for full IROC as well as Subcommittees.

Later in the Agenda, Item 16, Committee Member Newman voiced his concerns regarding the IROC not having a full opportunity to review the pass through rate increase information. He stated he would like to rescind his motion to adjourn the

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full scheduled IROC meeting of August 10. He feels there was not adequate time to hear Item 11, and could have other pressing items come up. Committee Member Hollingworth concurred. He feels it would be a good opportunity to let Council know it was looked at by IROC. Mr. Ruiz added if there was a full IROC meeting in August, he could note for NR&C that IROC was given preliminary information, but was not in a position to take action because of the brief timing. Once gone to Council in September, he could reflect the findings of that meeting at that time. Chairperson Billings asked for a show of hands to validate a quorum. 6 raised their hands as being able to attend. He made a motion for reconsideration of the vote on Item 4. Committee Member Newman moved, Committee Member Hollingworth seconded the motion, and all were in favor to reconsider.

He then made a motion to hold the regular scheduled IROC meeting in August, Committee Member Newman moved, Committee Member Hollingworth seconded, all were in favor to hold the next scheduled full IROC meeting only.

5. **Nomination and approval for additional Finance Subcommittee Member(s)**

Chairperson Billings noted the Finance Subcommittee still lacks members. He stated Committee Member Hollingworth suggested Committee Member Collins would be an ideal candidate, given his background. This item was deferred until Committee Member Collins arrives this morning.

Committee Member Collins arrived, following item 10 this item re-opened. Chairperson Billings welcomed Tony Collins and congratulated his appointment to the IROC. He briefed Committee Member Collins on the nomination to have him serve on the Finance Subcommittee. Committee Member Collins accepted the nomination. Chairperson Billings asked for a motion to have him serve on the Finance Subcommittee. Committee Member Newman moved, Committee member Dull seconded the motion, and all were in favor to have him serve on the Finance Subcommittee.

6. **Chair Updates – Don Billings**

- IROC presented to the City Audit Committee on June 15, 2009. A question included whether IROC's Charter could be expanded to include other utility like functions. He stated Tom Zeleny was present and it was not explicitly contemplated. He asked Mr. Zeleny to clarify. Mr. Zeleny added there is a provision in the IROC Ordinance that includes any other topics that may be recommended by the City Council. Chairperson Billings expressed reservations about expanding IROC's charter. Chairperson Billings stated that at the conclusion of the presentation, Councilmember Faulkner requested IROC come back to the Audit Committee Meeting in October to give a progress report, and is interested in a reporting on the progress against recommendations contained in IROC's Annual Report. Chairperson Billings added a reporting process needs to be formalized soon. Mr. Ruiz stated the process has been started of evaluating the recommendations the IROC has forwarded. This should

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be concluded in the next 60 days, and will be in a position to make a recommendation back to IROC in September.

- Committee Member Newman asked if the IROC can be notified in advance of the October Audit Committee Meeting details. Mr. Ruiz stated typically the Audit Committee would be meeting at the same time as IROC. Mr. Ruiz concurred with getting the information to them as soon as it is available.

7. **City Staff Updates**

Wastewater Department, Bob Ferrier

- Regarding the number of retirements in upper management that has taken place, the individuals are now in provisional status. He said interviews are scheduled for Alan Langworthy's position, and several resumes have been received for his own replacement and are under consideration. There are also a number of Deputy Director vacancies.
- Continue to focus on sewer spills. In the last quarterly meeting with Wastewater staff, it was noted the Department has gone 32 days without a sewer spill. This is an outstanding achievement.
- OneSD is going well, and operationally has not caused any problems.

Committee Member Webster asked Mr. Ferrier about the spill that closed Dog Beach recently and what the root cause was. Mr. Ferrier stated the cause was rocks. CCTV was performed, hoping to find the source of the rocks, but could not identify. He explained this happens over the course of time, with accumulation of the rocks. Committee Member Hollingworth asked how long it was closed. Mr. Ferrier responded it was not very long, but not sure of the exact amount of days at this time.

Water Department, Alex Ruiz

- OneSD successful so far, there needs to be some parallel testing to be confirmed, so the Human Capital Management component scheduled to be implemented in September has been pushed to January 1, 2010.
- Staff has been involved with depositions in regard to the Mt. Soledad landslide two years ago, as well as the Colony Hills area main break in 2006. Many team members are preparing for the deposition.
- He passed out a pamphlet for reading pleasure, "Water for Tomorrow", which the City partnered with Aqua and National Geographic to produce. This is an advantage to have this material to hand out to various commercial customers to continue to educate the need for water efficiency and to minimize the use of water as much as possible.
- Also passed out was the Consolidation Report on the Business Support Divisions. This report is from Tom Crane regarding the consolidation of the Internal Service sections within the former Water and Wastewater Department. This summarizes the effort that took place, the result and efficiencies achieved, and in addition, at the end of the packet there are

recommendations for continuing efficiency studies in Wastewater Collections, Wastewater Treatment and Disposal and in Water Operations.

**8. Camp Pendleton Desal Feasibility Study**

Robert Yamada, San Diego County Water Authority, spoke about the potential for a Camp Pendleton Desalination Project. He expressed the importance of how this project would fit into the supply context of San Diego's water supply. He began his presentation showing the portfolio goal, comparing pie charts showing current and 2020 with the mix of resources including a Camp Pendleton Desalination Project, copies of the presentation were distributed. He stated the current seawater desalination goal is about 80 mgd by 2020. He added the impact of a Camp Pendleton supply would boost the desalination supply from 10% to about 20% of our water supply, would reduce dependence upon State water project down to about 10%. The size for a Camp Pendleton project could range from 50-150 mgd.

Mr. Yamada gave background to the project itself which covered the study, project location, and a draft feasibility study identifying 2 viable sites – which are on either side of the Margarita River. One being adjacent to I-5 north of the Santa Margarita River (MCTSSA), and the other located on acreage next to the SRTTP Plant recently constructed. Either location would require tunneling in order to construct new intake and discharge infrastructure going offshore. He stated the potential Project can benefit the Marine Corps including water supply reliability, since Camp Pendleton groundwater has historically not been completely reliable.

He then went over aerial views of the model of the potential sites. He described the Intake and Discharge options that are available, which included screen intake from the open ocean; and deep infiltration gallery which has the idea to collect the water at a subsurface level, which reduces any impact to marine life because the sand acts as a natural filter. This is not been determined if this can actually be built, especially with the costs associated. Discharge options were also mentioned. He then showed illustrations of the Deep Infiltration Gallery Tunnel Collector Wells, and an overall view of the potential Conveyance Pipeline Alignment. This would involve a 72" pipe from Camp Pendleton proceeding along the south side of the San Luis Rey River ultimately connecting to the Water Authority's North County Distribution Pipeline, flowing west to east back to the second aqueduct and able to distribute southward to all of San Diego County.

Mr. Yamada went over issues that need to be looked at more thoroughly in terms of how you might integrate a project like this into the Water Authority's distribution system. He then listed the capital cost assumptions which is at an early point, some costs are unknown at this premature time. In terms of Capital costs for Phase I of 50 mgd, it is estimated at approximately \$1.2-\$1.3

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billion, if built to 100 mgd, that would be approximately \$1.7-\$1.9 billion. He then presented a cost comparison table with Australia, in current dollars. If all goes well, the next steps and planning milestones would be: June 2009 – New CIP project budget of \$5.7M to continue technical and planning studies; complete study of ship-based desalination alternative; execute MCBCP/SDCWA MOU; conduct Engineering/Technical studies; target on line date would be 2018.

Committee Member Hollingworth asked on a scale, where would the cost vs. reliability be for a project like this? Mr. Yamada replied that it would be in the upper cost category because of the energy required, however, it is the highest reliability, so this is in balance. Water rates would definitely be increased if we financed this ourselves, but as an example this would most likely replace Metropolitan Water, and there would be grant funding available, etc., so there are cost offsets.

Committee Member Peugh asked with the pie-chart example, there is the same 6% recycled water, why is the Water Authority moving ahead with this rather than with a water reclamation project for potable reuse, of their own? Mr. Yamada stated the slide is the current “projection” which includes aggressive development of water recycling in the County, and we have a very aggressive recycling target. He said desalination is not meant to compete against recycling or IPR, it is meant to complement..

Ex-Officio Member Williams added, as a member of the CWA Board, the Board itself has had numerous discussions about this particular topic, and about the whole situation the region is facing. The water availability and reliability needs to be greater than what it is now. Also, the likelihood of reliable water from the Delta is endangered. The Board is encouraging staff to look at all solutions available, and this is not in competition, all sources must be looked at. He stated the comments regarding recycling are important and will be taken back.

9. **Committee Reports**

a. Finance – *Subcommittee Chair Hollingworth*

- Met directly before this meeting, presentation by Eduardo Luna, City Auditor, discussing possible scope of the Performance Audit, certain concerns were expressed to review that scope beforehand to make sure the Audit is effective
- Looked at proposed work plan for the Finance Subcommittee, after input and discussion, it was adopted

b. Environmental & Technical – *Subcommittee Chair Peugh*

- Met July 6, discussed retirement impacts and use of provisional status. Turnover for 2009 is 10%.

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- Prioritization of potential and current water supply sources, glad to see Global Warming and AB32 Compliance will be an element of considering future sources.
- Concerned express about the low cost of Purple Pipe water, the Cost of Service Study will address this
- Recent spill at Dog Beach was discussed. Disappointed the blockage was not sampled before it was cleared out. Hopefully in the future, this can become protocol.
- Alan Langworthy discussed Waiver and the importance of figuring out what is ahead of us in 2014
- Maintenance of valves and water distribution system report. The current policy is to visit each valve at least once every 5 years to make sure the valve will move. This is concerning, as most agencies do this and more every single year, but it is costly. This could be a good opportunity for an optimization study.

c. Public Outreach, Education & Customer Service – *Subcommittee Chair Welch*

Nothing to report, the July meeting was not held.

10. **Metro/JPA Report Out – Chairperson Billings**

Nothing to report, the July meeting was not held.

11. **CWA Pass Through Rate Increase**

Chris Ojeda, Water Department Rates & Finance Group, introduced himself. He gave a brief presentation on the proposed water rate increases to the City of San Diego customers to offset the proposed charges increases from CWA. He mentioned on April 14, the MWD Board of Directors approved a rate increase for the cost to purchase water, most notably with that, is the timing of these increases which are effective January 1 (previous rate increases) and portions of this increase take effect on September 1. CWA met on June 25 and approved to mirror the same effective dates for their rate increases.

He asked to be mindful that the speculated percentage of increases coming down, are on the commodity side when CWA reviews their rate increases, they review what will be necessary for operation of their organization including CIP, reserves, etc. and the actual increases coming down to the City of San Diego may not be exactly what MWD passed on to CWA.

He briefly spoke about what the CWA rate increase applies to, and stated the plan is to go forward, and in August will put together a notice to City Council to review in September that will go to all customers. The notices are required to be received 45 days prior to the hearing date. The hearing is planned for the beginning of November for the proposed rate increases.

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He gave examples of preliminary estimates that the City Auditors are reviewing, which were included in the packet. Committee Member Hollingworth noted he has reviewed the materials in detail and has some questions, but given the time restraint, feels it can be addressed in the Finance Subcommittee meeting in August, perhaps. Mr. Ruiz stated they will be able to provide more details on the rate increases, as IROC members know, this is the annual rate increase we have come to expect from CWA. He added this needs to be brought before City Council to do the proposed noticing with the required 45 day prior notice, and then needing the 30 days to notice the final recommendation by the first week of January, which is the timing of the rate increases. He also stated it is desired to go to the next NR&C meeting as well. Chairperson concurred, but stated IROC cannot weigh in on this item now, and suggested next cycle, IROC can get in the loop earlier to see what is actually driving the increases, perhaps the process can be adjusted.

Committee Member Hollingworth suggested advising the Council and the Audit Committee there was not adequate time to review the rate increase this cycle, and should be provided adequate time.

Chairperson Billings summarized the fact that IROC has not had the ability to review and understand the basis of the rate increase and therefore does not have an opinion on its reasonableness.

**12. Cost of Service Study Report**

Mr. Ojeda introduced Sudhir Pardiwala, Vice President, Raftelis Financial Consultants, Inc., who provided a very brief update on the development of the current rate model. Mr. Pardiwala mentioned a more lengthy discussion was held at the IROC's Finance Subcommittee recently which covered the layout of the model and some of the flexibility in analyzing different scenarios as well as showing impacts resulting from changes and assumptions, and different variables, etc. He then asked for any comments or additional questions from the full IROC in regard to that recent discussion or anything desired to see in the model itself.

Chairperson Billings thanked him and stated he is not prepared to offer feedback at this time, and asked for other comments from the members. Committee Member Hollingworth stated he was very satisfied with what was presented in the Finance Subcommittee, and will be going through the detailed Excel information, and may have more feedback. Mr. Pardiwala stated they will be presenting the model to staff at the end of July, and looking for completion of the model by the end of August. He noted he would like to present to the Finance Subcommittee on September 14, 2009 and then to the full IROC meeting soon after. Committee Member Peugh asked if the recycled water model information can be available as well, Mr. Pardiwala stated yes. Chairperson Billings concurred with the request.

**13. Indirect Potable Reuse Update**

Marsi Steirer gave a brief update, stating just recently at the City Council meeting, an item on the Agenda was associated with the reconsideration of the Contract for the Reservoir Study that had gone thru some time ago. Councilmember Lightner had voted for it in late March, and then changed her mind. The reconsideration failed and there was much public support both Council offices as well as attendants at the Meetings from business, taxpayers association as well as members of the environmental community. She stated the City is moving forward. She added a Professor of Public Health and Limnologist by training spoke and noted indicating the science and methodology associated with the scope of work and what Flow Sciences was doing was fine.

She mentioned an incorrect Union Tribune article regarding the application of Federal Stimulus funds. She appeared on News Channel 51 regarding the incorrect information stated in this article. She then gave a description of the City's submission of application in January, for the Demonstration Project to the Bureau of Reclamation office. She said it was approved for 25% of funding associated with the reuse study. She stated we stayed with our application submitted in January, and will hear in the next two weeks if the money is available.

She added they are in the process of firming things up with the Water Authority and the County for approximately \$1M for the Prop. 50 funds.

Chairperson Billings added he was disappointed with the results at the Council meeting.

**14. Water Shortage Update**

Alex Ruiz stated the water shortage Drought Level II response from the City and its customers is still in effect. There are various advertisements and a campaign "No time to waste, no water to waste" circulating. He stated in a normal month there is an average of about 80 complaints of water waste and violations. As of June 21<sup>st</sup>, we had 456 investigations which did not include calls regarding what the water restrictions are and various other inquiries not requiring an investigation being opened. From that, letters were generated back to customers informing them they were observed violating the water use, and to suggest being part of the solution. If there is a second complaint there will be a site visit and talk to the customer before an enforcement process is started, which can include fines.

He mentioned there have been 24 community presentations up through the third week of June, 5 press conferences, public service announcements, various online ads, plane banner, bus and trolley wraps, etc. He concluded with adding there are no figures for volumetric savings the customers might have realized, the tracking of our success vs. the CWA target does not begin until July 1.

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15. **Proposed Agenda Items for Next IROC Meeting**

Please submit via email to Chairperson Billings.

16. **IROC Members' Comments**

This item occurred following Item 17. Committee Member Webster asked the City Water Department to provide an actual chronology of cost increases in water rates for a typical single family dwelling unit from 2007 until today and projected into next year. Mr. Ruiz responded that the Water Department could perform this and would respond to his request.

17. **CIP Prioritization – Sub-criteria Weights Exercise**

Amy Dorman, Master Planning Section, introduced herself and explained the importance of this exercise and the input on the prioritization process. Packets were distributed. She stated it is designed to walk them through assigning weights to the subcriteria planned to use to rank our CIP needs. She introduced Enrique Lopez-Calva and Patricia Tennyson from the consultant team who facilitated the exercise. Ms. Tennyson went over the contents of their packets and gave them instructions how to participate in the ranking exercise. She stated the main criteria for CIP project prioritization had been reviewed and weighted by the City Council. However, within the criterion, there are one or more subcriteria. She then asked IROC Members to weigh the subcriteria by viewing the large posters that were hung on the walls listing each. Stick-on dots were given to each member and they were to use for the exercise.

Chairperson Billings stated he will participate but does not agree that these subcriteria are correct, since he has not seen them before, nor does he understand where they came from. Ms. Tennyson stated the criteria have been developed and weighted by the City Council already, and will not be changing. Mr. Lopez-Calva explained giving the background of this, and adding the purpose here is to be consistent with the policy, and only rank or establish the relative importance of the subcriteria to the right of the already developed criteria. Ms. Steirer gave more information of the importance of this exercise. She mentioned there have been successful efforts done with this type of exercise with stakeholder groups in the past. Members had questions regarding the materials, and needed understanding. It was explained. The Committee proceeded with the exercise. Chairperson Billings thanked the facilitators and noted the results will be available soon.

**Adjournment of IROC**

At 12:08 Chairperson Billings called for a motion to adjourn, Committee Member Newman moved, Mr. Kubota seconded, unanimously, the meeting was adjourned.

Recording Secretary: \_\_\_\_\_  
Monica Musaraca