

Independent Rates Oversight Committee – IROC
September 14, 2009
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1. Roll Call

Chairperson Billings called the meeting to order at 10:04 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair	X	
Linda Cocking	X	
Tony Collins	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 8/10/09

Chairperson Billings asked for a motion to approve the Minutes of August 10, 2009. Committee Member Welch moved to approve with no corrections, Committee Member Peugh seconded, with two abstentions (Billings, Kubota) all were in favor to approve the Minutes.

4. Chair Updates – Chairperson Billings

- Barry Newman is excused for personal reasons, and may not be present at the next meeting, but look forward to his attendance in the near future.
- Spoke to Jim Barrett about rescheduling all future meetings to meet on the 3rd Monday of each month, rather than the 2nd Monday of each month. He then asked the IROC to think about it, and City staff will send an email survey to confirm the preferred change to the regular schedule. Tom Zeleny, City Attorney, added since it was not on the Agenda for Action today, it can be brought back to the next meeting Agenda. Ernie Linares asked Chairperson Billings if it would be preferred to include the same schedule change to the Finance Subcommittee which precedes the full IROC meetings. Chairperson Billings concurred.

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- Discussed with City staff the affect on the Department of any SDGE shut-off plan, and understands because of emergency generators and other back up power supplies, the City is fairly insulated from that. Mr. Ruiz agreed.
- The Union Tribune has brought to public attention, the Labor Negotiations underway at the MWD. In particular, the change to the pension multiplier which would constitute a 25% upward adjustment in the multiplier. The Mayor and Councilmember DeMaio have written in objection to this. It was scheduled for a vote tomorrow, but is now postponed to the October meeting. He feels it is potentially significant to our rate payers.
- The California Coastal Commission action on the Pt. Loma Modified Permit has received a lot attention. The next meeting is in Oceanside from October 7-9, where this will be taken up again. Those interested should take the opportunity to attend.

5. City Staff Updates – Alex Ruiz

- Last Tuesday's council meeting the City approved our recommendation to send notices to customers regarding the rate increases brought forward before IROC and approved 7/1. The only modification made was to the cover of the notice to make it more clear that the rates were due to the increase in the wholesale cost of water. This was added and will be sent out with the last postmark is set for September 18. Public hearing is November 17.
- NR&C met last Wednesday taking items including monthly briefings on conservation, IPR and the Cost of Service Study. He stated the reported out figures for July was a 13.9% reduction over prior July usage on top of a 13.% reduction from June. Customers are responding to the call for conservation. More public service announcements and media outreach are underway to ask customers to continue to achieve this type of saving as the cooler months come on. Updates:

Rod Greek had presented to the NR&C the Cost of Service Study with regard to the water rates, including an outline of our stakeholder outreach efforts, and considerations we will be taking as we develop a recalibrated rate model. Stakeholders were asked for input and additional information as to the sufficiency of that rate model. The next step would be to talk about the calibration and restructuring of the rates in order to meet a number of objections.

Marsi Steirer had reported on the status of the IPR Project. The independent Advisory Panel is finalizing its Draft Report, which will be transmitted to the Department of Public Health for their input, and expect to be in a position to contract next calendar year for the project management and oversight of the Demonstration Project going forward.

Mike Bresnahan, Customer Support Division, discussed changes to the emergency water regulations, and in light of the conservation savings that

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have been achieved and the information received from customers regarding confusing elements of our current emergency water code. With the feedback and discussions with other Agencies and CWA, it was recommended staying with the original 3 days a week, but reduce the irrigation run times from 10 minutes to 7 minutes per station. This with the combination of continued messaging on conservation and minor changes to the Municipal Code, we can continue to achieve the savings expected and required by the CWA.

- Legislative update from our representatives in Sacramento, the regular session of the State Legislature closed and consolidated 5 Bills into 1. None were passed. We did however, have a lot of good effort and good coordination between MET and CWA moving those Bills forward. It is possible the Governor may call a Special Session within the next couple of weeks to see if we can advance additional water policy issues.

Chairperson Billings commented, in regard to the 218 Notice for the Pass-through, he feels customers may think of this as a commodity charge rather than the wholesale cost of water. He asked if this can be communicated a bit clearer. Mr. Ruiz stated with the many communications this was all covered, and individuals are referred to our website where the Board Memo is available and describes clearly and accurately, the various cost components of the rate increases. Chairperson Billings stated customers may need to know the bigger picture of what they are paying for, such as reliability and storage, etc.

Committee Member Hollingworth asked if the Department has any analysis that can be forwarded to him before the next Committee hearing so he can see what magnitude the MWD pension ailment comprises their price structure so he can see what the future holds. Mr. Ruiz stated he does not have an analysis but can put some information together.

6. UCAN's Introduction to IROC

Chairperson Billings introduced Michael Shames from UCAN, and noted UCAN has gained access to water bills for purposes of raising awareness in respect to water and wastewater rates. Mr. Shames provided a presentation, and asked IROC to review it as he gives a brief summary. He then thanked IROC for committing to fulfill their very important role. He shared information regarding a website www.meetingwizard.com and noted it can be very helpful when scheduling meetings.

Mr. Shames stated UCAN will soon receive a fair amount of money by the end of the year that will be available to hire qualified experts to advise and serve as another voice for the City. He stated UCAN has been doing this for 25 years, and it works well. Experts can be hired, and can provide well defined tasks where all can benefit from, and invited IROC to provide him with an area or specific experts they feel warrant an expenditure to help advise the Committee. He added

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he will have to begin the decision making process later this year. He also noted everything produced would be open to the public. He stated the consultants would be given the task(s) to complete and that UCAN would not have any right to review or modify the product.

Mr. Hollingworth stated in order to modify and manage water rates in San Diego, the management consists of the Metropolitan Water District (MWD), the County Water Authority (CWA), as well as the City's Public Utility Department. The two major drivers seem to be the MWD and the CWA. He stated he would like to see these 2 Agencies reviewed. Mr. Shames stated unfortunately their efforts have to be spent on the City of San Diego at this point.

Chairperson Billings added he would like a broader view relative to best practice in general, and how other Agencies perform. Committee Member Peugh stated he is concerned about the level of maintenance in the system and the expenditures on capital improvement are adequate. Mr. Shames concurred and stated there are experts in this type of field and it is possible but not always easy. He then concluded his presentation by thanking the IROC for their fine service and asked to them to contact him if they had any questions, and to think about what areas they would like to be included in his decision making process by next meeting if possible.

Committee Member Kubota asked if UCAN supports IPR Mr. Shames stated yes very strongly, and added they have written a report on IPR and feel it should be pursued.

7. **Dulzura Conduit Concrete Covers**

Rod Greek provided his presentation in the packet. He went over materials describing the full project. He stated it is made up of tunnels, flume and channels and is 10.6 miles in length. The specific Project is to cover the open portion of the channel with concrete covers to provide protection from blockage during rain, fire or rock slides. He went over photos of past damage from fires, rain and rock blockage, pointing out how well the already protected areas of the channel worked. He then covered a diagram of the Project, pointing out the area of concern.

Mr. Greek gave a brief background of the Project. He explained after the wild fires, and meeting with FEMA, sites needing assistance were identified and the Natural Resources Conservation Service agreed to fund this project at \$581K. He added this item came to the IROC in October 2008, and was asked for \$700K for this Project; this was prior to getting the construction bid. The bid came in at approximately \$582K which took up the funding. He stated we are in need of an additional \$100K funding to proceed with the construction phase which includes the resident engineers, to complete the Dulzura Conduit Concrete Covers Project. He then went over the breakdown of the project cost estimate. He asked IROC for the support for the additional funding and noted this was not identified in the

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2007 Rate Case, a line item within the budget to draw from which is the Recycled Pooled Contingency fund. The contingencies are now budgeted within the projects due to SAP. The funds are in the FY10 budget per the 2007 Rate Case and would be drawn out and moved into DRES and immediately out to this Project.

Chairperson Billings asked if this money would be replaced back into the DRES after the grant funds are received. Mr. Greek stated yes, \$581K will as well as any excess. Chairperson Billings asked for a motion to approved the movement of \$100K from the Recycled Pooled Contingency fund through the DRES to the Dulzura Concrete Cover Project. Committee Member Hollingworth moved, seconded by Committee Member Stallard-Rodriguez, all were in favor.

8. Committee Reports

a. Finance – Subcommittee Chair Hollingworth

- This morning's meeting discussed the program controls over the Department's \$2B Capital Improvement Program (CIP). Based on his experience, he is satisfied there are adequate controls in place. He feels there should be additional reported which was agreed upon, regarding the Program's schedule and cost.
- Discussed the CIP's current status and also the operating budget. The Department is currently having SAP setbacks regarding the reporting of salaries and benefits, and current year expenditures. This should be resolved next month.
- Discussed the wastewater rate model and pricing objectives with the water recalibration effort. The Department has agreed to come back in October to fully discuss the due diligence effort as well as the intergovernmental relations effort to lobby for or against pass-through rate increases as a part of this.

b. Environmental & Technical – Subcommittee Chair Peugh

- In regard to the Sept 8 meeting, Alan Langworthy discussed the previous vision of the Department, "Consumers Alternative" from 1987-1989. This was a slightly more distributed system than we have now but is consistent with the direction we are going now.
- Jim Fisher presented the Risk and Reliability Study performed in 2002. This study originally was to look at the second Otay pipeline and anticipated expansion of the risk and reliability study of the whole system. There was an immediate need to replace the 200 miles of cast iron pipe. This became the focus.
- Discussed the Water Distribution System with respect to disaster management. The Subcommittee asked if there was any modeling or system wide planning of this. It was learned there was a seismic study in 2002. There are a number of seismic valves that automatically cut off in case of an earthquake and flexible deployable pipes to be used to

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bridge over area where water lines are broken as well as emergency generators to allow operation in the case of power failures. There was also discussion of valves, he feels a large amount of valves would not close in case of emergency. He suggests accumulating data from field operations to actually know how many valves will or will not shut down in a reasonable amount of time in a natural disaster.

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

- In regard to September 8 meeting, the goal is to ensure any current and perspective challenges faced by the Departments are adequately communicated to the rate payers. Ten areas of concern were identified as priorities: water supply issues; conservation; cost and rate cases; indirect potable reuse; Pt. Loma Modified Permit and Secondary Treatment of wastewater; tiered rates for commercial customers; reclaimed water rate changes, submetering of new or remodeled multi-family residential dwellings; disposal of biosolids from wastewater treatment; green technology including solar, fuel cells, biosolids reuse, water and wastewater risk and vulnerability due to climate change or other factors such as earthquake, equipment failure and vandalism to name a few.
- Looking forward to working with Michael Vogl, who is replacing Mike Bresnahan in Customer Support. Councilmembers are invited to the IROC meetings, but will be calling the Chiefs of Staff to further their awareness of upcoming meetings.

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

- Discussion of the status of the Modified Permit for the Pt. Loma Wastewater Treatment Plant and the Coastal Commission's actions on the consistency certification for the modified permit. Jim Barrett gave an update on the City's approach to this in regard to deadlines of response, process that occurs with the Coastal Commission itself, and the possibilities for appeals outside the Coastal Commission including the Secretary of Commerce, etc. The October meeting in Oceanside will be the next opportunity for the City. In the meantime, the City will formally respond to the Coastal Commission action.
- Augie mentioned he was pleased that Alan Langworthy is optimistic that the City will overcome this opposition to the consistency by the Coastal Commission.

10. **Pt. Loma Waiver Update**

Tom Zeleny stated he attend the Coastal Commission for the Concurrence to the Consistency Certification, on August 13 along with Jim Barrett and Alan Langworthy. He it is currently in litigation, but can give some general information. He explained the City certifies that the Modified Permit at Pt. Loma

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is consistent with the California Coastal Management Program. He added they can either concur or object to that certification. The staff recommended that they indeed concur that the City's permit is consistent; however, after discussion of comparing the City to the other Agencies that are in Secondary Treatment and matters water quality, which seems to have exceeded their jurisdiction, the vote was not in the City's favor. It is noted in their minutes they objected, but have not issued the City a written notice of objection, which under the Federal Regulations is a prerequisite to the City filing an appeal.

Mr. Zeleny stated he has written a letter to the Secretary of Commerce confirming we do not need to file. He explained the unusual appeal process. There is authority from the Mayor and Council to file the appeal, but at this moment will refrain from filing that appeal until the U.S. Secretary of Commerce states we must, or receive a written objection from the Coastal Commission. Mr. Zeleny added with regard to the Coastal Commission in October, it is our hope they will reconsider or rehear the matter.

Chairperson Billings asked if IROC members may come to the October hearing in Oceanside as members of the public. Mr. Zeleny stated IROC members that are interested may participate as individuals of the public.

11. Administrative Facilities Master Planning

Mr. Tom Crane, Assistant Director, Strategic Programs, opened by introducing himself and stated he strives to ensure that the City takes the most effective actions in the consolidation of the Public Utilities Department. He gave a brief summary of the latest consolidation efforts. He mentioned all Business Support functions have been consolidated, under Alex Ruiz, as the Business Support Branch. Over the last year, functions of the Water and Wastewater Departments have been evaluated and are still ongoing. Many administrative employees have been moved, however, there are still many employees downtown where the lease ends in 2013. They will most likely be moved to the Kearny Mesa area.

Mr. Crane stated a Master Planner will be hired to look at the Administrative Facilities to ensure effective planning for current and future uses. There will be updates as those are available. He mentioned the Wastewater Collection and Treatment and Disposal Divisions work out the MOC Complex which appears to be the right choice as there are mandated response times etc., and are centrally located. However, there is not enough room to bring Chollas Operations here. The facilities there are dismal, and need to be replaced. He mentioned a planning activity is underway to replace the Chollas facility. He invited the IROC to make a trip to see the Chollas facility to familiarize themselves with our facilities and operations there. We plan to bring a detailed plan to IROC and will be requesting support and funding for this replacement project.

12. CIP Prioritization – Sub Criteria Results

Chairperson Billings stated that the exercise to obtain IROC input on the Capital Improvement Program prioritization sub-criteria took place during the July IROC meeting, and the results are in.

Amy Dorman gave a recap of the criteria, how they were developed and where they fit into the context of the overall Master Plan. She also briefly described the analyses that have been done in other parallel master planning tasks; these include: hydraulic analyses of the water distribution system's performance and its ability to maintain reliable service throughout the City, developing alternatives for operating the system more efficiently and opportunities for consolidating pumping capacity into fewer stations, determining capacity needs under future demand conditions, and assessing facility condition. She added in the next couple of months, project cost estimates will be prepared as well as schedules, then in the October/November timeframe would like to start working with the financial staff to prepare a 20 year CIP, and in the summer, finalize the Master Plan Report.

Ms. Dorman referred to handouts, providing results from the "dot" method voting exercise in July. She explained the information to the IROC. She noted that a very similar exercise was done within the Department with staff and various managers, and there is a strong correlation in how the weights were distributed (IROC v. Department Staff). Although they are still finalizing the results within the Department, the outcome should be very close to what is presented in the handouts.

Chairperson Billings asked how the final weights are worked into the planning process. She gave examples of the ranking based on the importance of certain projects that may have health or safety impacts, opposed to others that may not. Chairperson Billings expressed his concern with this sub-criteria process, and how they are able to be used in a practical way. Alex Ruiz added, similar processes are underway for prioritizing General Fund projects within the framework of the Council Policy. The asset types are different but the attempt is to come up with staff-supported analytical bases for prioritizing projects.

Mr. Ruiz asked Ms. Dorman when she could provide a list of projects that had gone through this process and application of the prioritization criteria. Ms. Dorman stated she may have it ready by the November meeting. Several members voiced their concerns with the weights and uncertainty of the sub criteria process.

Mr. Zeleny added if the IROC is uncomfortable with the criteria in the Council Policy, IROC may recommend changes or alternatives, and can tailor something specific to water and sewer project if that is what is desired. Chairperson Billings acknowledged the offer.

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13. Proposed Agenda Items for Next IROC Meeting

- Pt. Loma Methane Project
- Staffs Response to the FY08 IROC Annual Report

Mr. Zeleny mentioned how the City Attorney's Office has been working with Councilmember Emerald on a possible sub-metering ordinance, and there may be a presentation at the NR&C Meeting in October. He asked if the IROC would be interested in hearing an update at the next meeting. Chairperson Billings accepted.

14. IROC Members' Comments

Committee Member Peugh would like to see a running report on breaks and how long it took to repair and restore service. He also mentioned during his Subcommittee Report earlier, he neglected to mention Marsi Steirer had presented a white paper on recycling 20/30 Report in 2003, the State had done. Someone had commissioned to follow up and see the progress. He stated it was disappointing all of the critical issues that were pointed out in this Report had not been fully address, if at all. He stated he feels the State is moving along incredibly slow in addressing the issue of water recycling.

Adjournment of IROC

At 12:11 Chairperson Billings motioned to adjourn, all were in favor, the meeting was adjourned.

Recording Secretary: _____
Monica Musaraca