

Independent Rates Oversight Committee – IROC
July 19, 2010
MINUTES

1. Roll Call

Chairperson Peugh brought the meeting to order at 10:01 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Jim Peugh, Chair	X	
Don Billings	X	
Tony Collins	X	
Christopher Dull	X	
Andy Hollingworth	X	
Jack Kubota	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch		X
ExOfficios		
Scott Tulloch, Metro JPA		X
Augie Caires, Metro JPA, <i>Alternate</i>	X	
Ken Williams, City 10	X	
Yen Tu, City 10, <i>Alternate</i>		X

2. Non-Agenda Public Comment

There were no non-agenda public comments.

3. Approval of Minutes from 6/21/10

Chairperson Peugh asked for a motion to approve the Minutes of June 21, 2010, with the correction of Roll Call showing Jim Peugh Chaired the meeting, opposed to Don Billings. Committee Member Hollingworth moved to approve with this correction, Committee Member Webster seconded, Committee Member Stallard-Rodriguez abstained. All others approved with the correction. It was also noted the Agenda for today’s meeting had a correction for the record: Todd Webster is the presenter and Chair of the Environmental & Technical Sub Committee opposed to Jim Peugh, on item 9b.

4. Chair Updates – Chairperson Peugh

This item was presented after item 6 on the Agenda.

- IPR will be voted on next week on the 27th, at full Council.

5. City Staff Updates , Alex Ruiz, Interim Director

- He shared the awards received by the Public Utilities Department were:
 - Global Water Intelligence, a distinction award (as well as CWA) for the Agencies of the Year
 - American Water Works Association for our Public Communications with regard to “No Time to Waste, No Water to Waste” program, recognized throughout the country.
- IPR was approved in going to Council.

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

- Also approved at Council, was the contract with AKT, for the Bid to Goal Performance Metrics and Audit. Approved 7-1 with Councilmember DeMaio voting No.
- Upcoming items to NR&C:
 - Landfill Gas, a proposal to take gas from the Miramar Landfill and a variety of third parties, buy the energy from that gas at a discounted rate, and provide for the sales of gas by a third party to the Marine Corps. This will result in about a \$200,000 net increase in revenue between the Public Utilities and Environmental Services Departments.
- Upland mitigation project going out to bid.
- Report from the Public Utilities Department on Public Health Goals.
- Upcoming additional information going to Council:
 - Advanced Water Treatment Project
 - Agreement with regard to San Pasqual Valley to do weed management in the northern part of the City. JPA is managing land in the Lake Hodges area, we are engaged in a contract to perform weed abatement which will provide extra revenue to the JPA.
 - Water Conservation Data - results for FY2010, the goal was 8% and our overall City saving is 11% for FY2010. He referred to handouts and briefly went through them.

Chairperson Peugh asked in regard to the mitigation contract, will there be a second one for wetlands? Mr. Ruiz stated he believes there will be a separate one, but there is none currently in place.

Committee Member Kubota asked about the opinion on Olivenhain Water District lowering their drought Level II to Level I. Are there any other Agencies doing this? Mr. Ruiz stated no, he only believes Olivenhain is reverting back to Level I, which does present a concern with regard to Council Member Frye's message of permanency. Their approach is definitely not the right type of message.

6. Consideration of a Draft Ordinance Amending the City's Emergency Water Regulations

This item was presented out of order, before items 4 and 5 on the Agenda. Committee Member Hollingworth excused himself from the panel, due to a conflict with this item. Council Member Frye thanked the IROC for volunteering time to be on this Committee. She apologized to Don Billings and Chairperson Peugh for the last NR&C Meeting mishap, and will be inviting them back. She began by stating this item is to propose the consideration of making the outdoor irrigation watering measures, in place now for a drought level II, permanent. She stated water conservation is a way of life, and one of the benefits to conservation is cost effectiveness. She gave examples of many ways to beautify yards without using so much water, such as succulents, rocks, native vegetation, etc.

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

She stated we need to make water conservation a permanent way of life, instead of only during “drought” conditions. She feels we need to be thinking that the “drought” condition is the norm in this area, and we must change consumer’s habits to always be conservative with water as a way of life.

She referred to the provided Ordinance, and mentioned she has been meeting with the Chamber of Commerce, getting input from Sea World, the San Diego Zoo, and the City Schools, etc. to see how they may be affected if this were made permanent, and to express their concerns to be incorporated in the Ordinance. She stated the primary focus of the Ordinance is to begin the discussion to make ways to make water conservation permanent, to reduce the amount of water used for outside irrigation. She stated the quickest, easiest and most cost effective way to conserve water is through outdoor irrigation.

She asked for IROC’s input, and stated she would like to get this to the full City Council by October. She then asked for the concept of supporting reducing on a permanent level, outside irrigation water.

Committee Member Billings added IROC has been trying to banish or redefine the word “drought” because words matter. The conditions we are in now are normal. Council Member Frye concurred. He agreed with Council Member Frye that conservation is the most business friendly and consumer friendly approach.

Committee Member Webster stated he concurs, but suggested it being on an “as-needed” basis. Council Member Frye stated certain things should be consistent in order to make behavioral changes and making it a way of life, which is the goal here. Going on a case-by-case basis could be confusing for the customer. She stated there are variances for those customers who may need that.

Committee Member Kubota expressed his appreciation for Council Member Frye’s efforts, and believes the mandatory rules in outdoor irrigation is a great idea. Councilmember Frye added mandatory change is the way to go, it is the only way in her opinion, to make a difference for the future.

She stated she will send IROC the updated copies as soon as they are ready. She asked if IROC has any comments or concerns or would like to meet, please contact her any time.

Councilmember Frye asked if it is possible to state IROC offered words of encouragement to amend the City’s Outdoor Irrigation Ordinance, and if so can this get vote. Alex Ruiz received information from Ernie Linares that the By Laws for IROC do allow a motion to vote on, but require 2/3 of the vote of IROC. Committee Member Billings made a motion to have IROC support the concept of moving to a permanent outdoor irrigation water use conservation program

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

including the related ordinance. Committee Member Stallard-Rodriguez seconded the motion, with one abstention (Dull).

7. **Advanced Meter Infrastructure (AMI) Update**

Committee Member Dull excused himself from the panel on this item. Mike Vogl, Deputy Director, Customer Support Division opened and introduced Project Manager David Akin. Mr. Akin referred to the provided handouts, to describe the status of the AMI project. He began his presentation giving an overview of the status of the project, and he stated they will be back to the IROC with recommendations.

He briefly described the Key AMI components and benefits. The highlights of benefits are near real-time meter data; improved efficiency, revenue recovery, automated usage profile analytics/alerts, and consumption/conservation monitoring. He added the recent progress includes redefined consultant Scope of Work, developed Comprehensive Business Case; identified best procurement process; developed project governance structure, staffing plan and timelines, and the project decisions. He described the fixed network system as well.

Mr. Akin referred to his slides, and summarized the strategic deployment and then described the fiscal impacts and project cost including the fiscal impacts and savings and revenue. He added the project payback period is <5 years. The next steps are the End System RFP/project Financing Plan, returning to IROC for approval in August, obtaining NR&C approval in September, obtaining Council approval by October, issuing the RFP in October and having the vendor selection and contract finalized in the November/December timeframe. He added they would like to test implementation in January.

Committee Member Hollingworth asked in regard to the financing, if it has to be financed out of the O&M Budget. Mr. Vogl answered the financing plan is not final at this point and they welcome IROC's input. In the current year, \$1.9M is budgeted for AMI already, in addition other savings have been identified for funding the balance from the O&M budget. Committee Member Hollingworth suggested considering his approach because of the CWA's rate increase.

Chairperson Peugh asked if there can be a projection as to what the rate of going beyond the 10% of the total meter population mentioned in the handout. Mr. Akin stated it can be provided, however he does not have the information with him. He stated the goal is to focus on testing the system, making sure it provides the benefits expected and then they will not only start implementing this for new services but also evaluate a more expedited conversion of other meters at that time. Committee Member Billings added he would like to see the inclusion of conservation as one of the benefits. Chairperson Peugh also suggested giving customers an idea as to the economics of what the entire system looks like, other than the 10% mentioned. Mr. Akin concurred.

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

Ex-Officio Williams asked what the mode of communication for the meter? Mr. Vogl stated it uses a radio frequency. There is a device attached to the actual water meter sending out data in intervals. He commented he concurs with Chairperson. Peugh's point of view that it seems people will benefit if this project were expedited. Chairperson Peugh asked if batteries need to be replaced frequently, and can the meters generate the charge themselves. Mr. Vogl stated they last upward of 10 years and that concept will be looked into for the future.

8. Briefing on recent Water and Wastewater Spills

Mr. Ruiz asked Craig Boyd, Program Manager, Water Operations, to present an update from both Water and Wastewater branches. The past fiscal year finished with 126 mainbreaks, compared to the FY2009 of 118 and FY2008 was at 105. For the calendar year, they are more consistent with approximately 64 each year. He stated so far this fiscal year, there have been 9 breaks so far.

Chairperson Peugh would like to see a more formal analysis of the breaks to get a collective look at individual breaks. Committee Member Kubota suggested educating the engineering design group in the field to capture their input of potential upgrades. Chairperson Peugh asked about the analysis of plastic pipes. Mr. Ruiz stated he can bring this topic back. He also asked questions about recent breaks, Mr. Ruiz will bring back information regarding these at the next briefing.

In regard to sewer spills, Ann Sasaki provided information for FY10. She stated there were 30 spills, compared to 57 spills in FY09. For the calendar year we are at 21 spills currently, and at this time last year there were 29 spills. She added our goal is to have no spills. The majority of the spills are due to grease and root-related categories. Crews are doing a diligent job at cleaning and we are trying to reduce our spills. This division is setting a very tight goal for the new fiscal year, by reducing the number of spills by 5.

Committee Member Kubota asked if they could receive the report that goes to the Regional Board. Ms. Sasaki stated there is a quarterly report sent to the EPA, and this can be provided to IROC. Committee Member Billings commented the performance shows amazing improvement. He asked if the level of performance can be maintained, and asked what the factors of the improvement are? Ms. Sasaki stated they are referred to FEWD and the focus is placed on the households to remind them not to put greasy foods down the drains, and to wipe pots and pans. There is targeted public relations. In respect to how this ties into CIP, a lot of the root intrusion is coming in at laterals and joints. This is why a lot of pipelines are rehabilitated and replaced. In summary, the reduction is a reflection of the additional CIP and also the aggressive cleaning.

Independent Rates Oversight Committee – IROC
July 19, 2010
MINUTES

9. **Sub-Committee Reports**

a. **Finance – Subcommittee Chair Hollingworth**

- Would like to present a new report each month titled Public Utilities Financial Summary showing a good economic overview of the organization. This was distributed to the IROC.
- Met with the office of the City Auditor this morning and discussed the proposed Scope for the Performance Audit of the Department. Major areas of concern seem to be encroachment of costs from other City Department onto the Public Utilities Departments, which he concurs with and gave the Auditor suggested Scope statements.
- Still writing the Pass-through paper.

b. **Environmental & Technical – Subcommittee Chair Webster**

- Met with the office of the City Auditor, follow up discussion on how to prioritize the items IROC would like to see in the Public Audit involvement. List was created, top three from Department Management were related to chemical purchases and usage; treated water purchases and usage; and responsibility for trench repairs. September meeting will have another more final report to look at and prioritize.
- Members from public from UCAN were in attendance. Expressed concerns with: allocations in regard to potable water Cost of Service Study vs. recycled water Cost of Service Study; time of use programs for efficiencies and energy efficiency in terms of pumps and how they affect efficiencies with the Department; and alternative rate structure that would help promote and motivate conservation.

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

There was nothing to report, no meeting held.

10. **Metro/JPA Report Out – Mr. Caires, JPA**

Nothing to report, no meeting held.

11. **Fraud Hotline Overview**

Al Allison, City Auditor's Office, provided a handout of the presentation. He stated his role with the Auditor's Office involves all activity with the Fraud Hotline (Hotline). The primary objective of the Hotline is to provide a means for the City employees and residents to confidentially report any suspicion of fraud, waste, abuse, and violations of certain federal or state laws and regulations relating to City operations. He then referred to his handouts and briefly described the responsibilities of the Network, Inc., the independent third-party provider, as

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

well as the responsibilities and steps the Office of the City Auditor and/or the City Auditor's Hotline Intake and Review Committee takes when receiving complaints.

Mr. Allison gave the Hotline activity for fiscal year 2010, he noted there were 61 total complaints, 30 fraud-related and 31 non-fraud-related. In comparison to FY2009, there were 140 total complaints, where 43 were fraud-related, and 97 non-fraud related. He then gave two instances of Public Utilities Departmental Hotline complaints and their outcome, as an example.

He noted this listed activity is all fraud and violation complaints, not only related to water issues. Mr. Ruiz added there will be more communications with the public in order to have separate phone numbers for different scenarios, in order to eliminate duplication of referrals, etc. In addition, this type of communication will be shared with contractors. Posters will be developed and distributed throughout the City.

Mr. Allison added there is a State law, the Whistle Blower's Protection Act, which says information reported to the Hotline remains confidential unless the complaint is substantiated. He concluded by stating the Hotline reports are on the City Auditor's website at www.sandiego.gov/auditor/reports/hotline.shtml and the Fraud Hotline contact number is (866)809-3500. This information will be available to the public on the City's website, and is also advertised on CityTV. Chairperson Peugh suggested this item go to the Public Outreach, Education and Customer Service Subcommittee in the future.

12. NACWA Platinum Awards for Pt. Loma and North City Water Reclamation Plant

Steve Meyer, Deputy Director, Environmental Monitoring & Technical Services, gave an overview of the awards programs that have been in place for several decades. He shared that the Wastewater Treatment and Disposal Division, which operates the Pt. Loma Wastewater Treatment Plant and the South Bay Water Reclamation Plant have been awarded the Platinum Awards. This will be South Bay's 7th award since operation, and Pt. Loma's 16th award. He stated in order to get the Platinum Award, there must be a year of perfect compliance within the permit limits. For Pt. Loma this translates into 20 years for a perfect record and for South Bay, an 11 year perfect record which is quite an accomplishment the City is very proud of.

13. Proposed Agenda Items for Next IROC Meeting

Mr. Ruiz stated he would like to hold the August meeting to present the CWA Pass-through 218 Notice in advance of getting to NR&C September 8.

Chairperson Peugh asked Monica Musaraca to do a quorum check for a good date for August to hold the full IROC, since it was decided the usually scheduled date

Independent Rates Oversight Committee – IROC

July 19, 2010

MINUTES

of August 16 would not work. August 9 was suggested, after she took a poll, there deemed to be a quorum for this date.

During IROC Members' comments, Chairperson Peugh suggested having CWA present as well as hearing from the Department what the cost implications are to the City. Mr. Ruiz concurred.

14. IROC Members' Comments

Ken Williams provided copies of the San Diego County Water Authority (CWA) consideration of key terms and conditions of a potential Water Purchase Agreement with Poseidon Resources for desalination seawater from the Carlsbad Desalination Project. He stated this is a different direction being taken, this Agreement is a 30 year contract between CWA and Poseidon.

He noted it would be discussed at the CWA Board meeting this Thursday. There are a lot of protections built in for the CWA in the event there is non-performance. He briefly summarized the document and urged IROC to read the document.

Committee Member Hollingworth suggested having a representative from CWA come to the full IROC to present. Ex-Officio Williams stated this Agreement will probably go on for months, so there is time. Committee Member Hollingworth suggested approaching this by learning the retail cost of water, and the impact to the City. Based upon the upcoming hearing, he stated IROC can either draft a letter of support or opposition to forward to the CWA. He then asked if the CWA can be asked to estimate the rates to the City. Ex-Officio Member Williams added this will be discussed on Thursday.

Adjournment of IROC

At 12:28 Chairperson Peugh adjourned the meeting.

Recording Secretary: _____
Monica Musaraca