

Independent Rates Oversight Committee – IROC
September 19, 2011
MINUTES

1. Roll Call

Chairperson Peugh brought the meeting to order at approximately 9:35 a.m. Monica Foster called roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Jim Peugh, Chair	X	
Don Billings	X	
Christopher Dull		X
Andy Hollingworth, Vice Chair	X	
Jack Kubota	X	
Colin Murray	X	
Michael Ross	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
Ex-Officios		
Augie Caires, Metro JPA	X	
Ken Williams, City 10	X	

Department representatives: Roger Bailey, Director of Public Utilities; Alex Ruiz, Assistant Director, Tom Crane, Assistant Director, and Tom Zeleny, Deputy City Attorney

2. Non-Agenda Public Comment

None.

3. Approval of Draft Minutes from August 15, 2011

Chairperson Peugh asked for a motion to approve the Draft Minutes of August 15, 2011.

Action: Committee Member Stallard-Rodriguez moved to approve the Draft Minutes as presented. Committee Member Kubota seconded, with Committee Member Dull absent, and Committee Members Billings, Hollingworth, Murray, and Ross abstaining, all other members were in favor to approve the Minutes as presented.

4. Chair Updates – Chairperson Peugh

- Newest IROC member approved by City Council recently, Michael Ross, Multi-family Residential Rate Payer.
- If anyone is interested in following environmental impacts, the Department has put a package together of mitigated negative decorations for projects.
- Information only: Book “Plundering Paradise” is out by a UCSD Professor, and is very interesting and speaks about San Diego’s funding habits.

Independent Rates Oversight Committee – IROC
September 19, 2011
MINUTES

5. City Staff Updates - Roger Bailey, Public Utilities Director
None.

6. Update on the Impact of the September 8, 2011 Power Outage on San Diego's Water and Wastewater Operations

Roger Bailey, Director of Public Utilities, indicated the City was adversely impacted by the recent power outage, and in the process of reassessing the situation. A report will be put together and shared with IROC. Recommendations will be made to the Mayor and Council, and will bring to IROC for discussion in the future. He did add that potable water was delivered to 95% of customers, and approximately 160M gallons of wastewater.

Ann Sasaki, Assistant Director, added that during the power outage, all muni pump stations, collection system, and treatment plants operated as they were designed to. She then described the methods of sampling the waters, and pumping out sewage spillage, as well as beach activity due to the spills. She added as we go forward with studies, reports will be shared with IROC.

Chairperson Peugh asked how the other pump stations handled the power outage. Ms. Sasaki indicated all performed as designed and did not experience spillage.

Vice Chairperson Hollingworth asked if there was a major long term regional outage, can it be speculated what would have happened to the rest of the system in this scenario. Ms. Sasaki indicated naturally, there would be more significant spills at some of the large pump stations. She indicated at Pump Station 2, there are two gas fired engines which allow the plant to operate, and the cogeneration facilities make them operable. She reiterated the studies will help determine future planning for unforeseen disasters.

Committee Member Billings commented that with unexpected rare events as this black out, doing a cost analysis on whether or not to invest in the preparation for them would be beneficial. He is in hope, once the studies are finished, that redundancies are not created in the event that a highly improbable event occurs, where dollars may be wasted. He does recommend having scenarios for low probability, high impact events to determine rational of investment. He and Committee Member Kubota stated they appreciate the path the City is taking on this matter.

Jim Fisher, Assistant Director, gave a brief description of the large, complex water system. He indicated during the power outage, power service to 3 treatment plants was interrupted but used onsite generators which produced supply with no issues. For the pump stations, he stated with use of emergency generators and portable diesel pumping systems, continuous uninterrupted service was maintained for approximately 92% of customers. There was, however, loss of water service in approximately 13 small areas.

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

As a result, there was a concern for back-siphonage into the system, and as a precautionary measure and consultation with the Department of Public Health, a “boil water” notice was given in the evening of September 8. Beaches must have 2 sets of water quality testing before bringing back into service. Both sets came back clean. September 11, the “boil water” notice was lifted, as there was at no time, any contamination.

Committee Member Webster asked Mr. Fisher to give some background on some communication and monitoring issues experienced. Mr. Fisher indicated at 3:40 once the power outage began, most staff had gone home for the day. He noted getting the staff back to work through the traffic congestion caused by light signals, etc. being out was a significant challenge. Also, at the Otay Treatment plant, there were some communications issues due to the lost Control Center. He added the computer systems were down at the Operations Center at the Chollas location, as well as stressed telephone systems, making communication extremely difficult. Last, power to the SCADA system, which monitors the distribution system was out.

7. **Colorado River Water Supply Outlook**

Halla Razak, San Diego County Water Authority Director of Colorado River Supply, presented a status of the Colorado River (River) and its supplies. First, she gave a background of the River, its’ purpose, and a vision of what the challenges are. She pointed out that California has a very small part in the watershed of the River, but is by far, the biggest consumer. Ms. Razak gave a comparison of the last 50 years of River changes to the present. She noted the population has doubled which has put a lot of pressure on the River and its water, and the irrigation has been constant with all of the development and growth. She noted that the storage and hydropower generation capacities have doubled in this timeframe. She added the largest activity regarding the River over the past 50 years has been the legal work, such as the Colorado River Compact, Boulder Canyon Project Act, and Upper Colorado River Basin Compact.

Ms. Razak listed recent accomplishments, and reviewed long-term augmentation options, study concepts and locations, as well as gave a brief overview of a 10-year historic and projected water supply and demand schematic. She then described the range of future water supply imbalances between long-term supply and demand, looking at options for balancing supply and demand. She listed 4 different scenarios which include the current economic slowdown, expansive growth, enhanced environment, and a healthy economy. Options would include an increase of supply, reduce and manage demand, and increase operational efficiency.

She indicated currently, there is bi-national work with Mexico such as U.S.’ interest in shortage sharing with Mexico, Mexico’s storing water in U.S. reservoirs, and other bi-national projects. There are still legal and policy issues are still unanswered, but both

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

countries are working towards finalizing Minute 310 to the Treaty by the end of this calendar year (Amendment to the Treaty).

Last, Ms. Razak reported the “drought” is officially over for now. She gave details regarding current Lake Mead levels and system storage capacity (approximately 65%).

Committee Member Murray thanked Ms. Razak on a very thorough presentation. He asked if the experts can predict what the supply will be 5-10 years from now? Ms. Razak indicated that the hydrologists’ predictions seem to be getting substantially better over the years, in her opinion. Vice Chair Hollingworth asked a follow up question, asking with the water supply statistics, would the water supply in this county increase? Ms. Razak indicated California only gets 4.4 million acre feet, unless the surplus criteria are triggered. In this case, California can get up to an additional 1 million acre-feet, depending on where the surplus is. However, there would be challenges, such as blending issues for example.

8. Managed Competition Program Update

Alex Ruiz gave a brief update on the status of the Managed Competition. He gave background on the effort, which was focused on the call center operations in the Customer Support Division. He indicated Council originally gave direction not to start the competition any earlier than July 27, 2011 in recognition of the new Customer Care Solutions billing system. It was recommended later, to postpone the start date approximately 60 days due to the challenges with deployment of the system. Currently, the Managed Competition is now scheduled to start the end of October, and the RFP would be out approximately next March, with a final decision in May, 2012.

Chairperson Peugh asked if the status of the system is at a point to know how it is performing yet, long term. Mr. Ruiz indicated training and system issues are being worked out currently with that regard. He added in approximately 30 days, there should be good performance metrics available. Committee Member Webster commented in regard to the start time of the system in late October. He implores the City not to move forward until all the issues are resolved. Mr. Ruiz concurred. Chairperson Peugh asked if there is a customer satisfaction survey currently, based on the integration of the new software. Mr. Ruiz indicated there are surveys offered after the calls typically and feedback is captured. Since go-live, there are extended wait times due to the abnormally high volume of calls; however, call center operations are being adjusted to reduce this time frame, as well as more call handling time training. There are also a variety of performance metrics.

9. Public Utilities Grants & State Revolving Fund (SRF) Loans Program

Jeanne Cole, Interim Program Manager, Rates and Finance, shared how successful the program has been. She provided a detailed presentation outlining all incoming and anticipated revenues, broken down by Grants and State Revolving Fund (SRF) loans. Handouts were provided in the packets. She noted the Grants are starting to dry up for

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

large capital projects and more focus is on the development of local water supplies and conservation. She stated to finance our larger capital projects, we have focused more of our attention on SRF loans. SRF loans are half of the interest of the most recent general obligation bond and paid over 20 years, starting 1 year after the construction of that project is complete, which is a significant savings compared to traditional bond financing.

She then referred to the Recent Victories slide, describing the various projects Grant money and SRF loans were received. She pointed out that significant grant money was received especially for the Otay Water, Alvarado, and Miramar Treatment Plants. She commends her staff for the great effort and perseverance.

She indicated grants and State loans are very important because they finance our Capital Program. Over the next 5 years, we anticipate having a \$900M Capital Program to replace, upgrade, and expand our water and wastewater infrastructure. She noted a large portion of our Capital Program is mandated. She added we do work with the Federal and State agencies on Grants and SRF loans, and we have been very successful on the wastewater side, but more limited on the water side.

Ms. Cole listed successes the Public Utilities Grants & Loans Section has had with regard to saving millions of dollars for ratepayers, being proactive and successful in developing good rapport with agencies, working closely with Long Range Planning & Water Resources Division, and more. For future outlook, SRF loan funding fortunately is not anticipated to be impacted by State's budget issues. However, Grants are fewer to be available, and the competition is increased. Funding opportunities have shifted to the development of local water supplies, etc. Last, she described what is on the horizon for Grants and SRF Loans.

10. Public Utilities Department – FY2011 Capital Improvements Program Report

Guann Hwang, Deputy Director, Engineering & Program Management, introduced Tung Phung, Senior Civil Engineer, and Myrna Dayton, Acting Deputy Director for Project Implementation & Technical Support. Mr. Hwang provided detailed reports of the 4th Quarter of FY11 CIP project updates which covered highlights, dash board information as requested, forecast and actual expenditures. These also included project schedules with mandated deadlines, and change orders that exceed 10% of the project budget - 2 at this time, comments were provided. He walked through the provided handouts, which consisted of 6 attachments.

Vice Chairperson Hollingworth noted these materials were extensively reviewed at the earlier Finance Subcommittee. He indicated the Department re-baselined the schedule, and agreed this will be the standard upon which all future progress is based. Also, he indicated some of the budgets are not provided for FY11, the Department has agreed to re-budget consistent with the re-scheduling. He added the Department agreed to establish a total project budget.

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

Ex-Officio Williams commented that discussed in the earlier Finance Subcommittee meeting was the completed/awarded/needed miles for replacement. He suggested a follow up presentation as to what was the appropriate number of miles that should be targeted for Water and Wastewater. Mr. Hwang concurred and will come back with more information including what is on the horizon for the entire “master plan” for all facilities implementation for the next 10 years.

Mr. Bailey commented it is important to establish what our needs are, then plan to schedule those needs over time, which must be calibrated on the financial reality we have. He added staff can do a condition assessment, and in turn bring to IROC to discuss.

11. Adoption of the IROC Annual Report (2010)

Chairperson Peugh asked for concerns and corrections for the final text of the Report. Committee Members gave comments including minor non substantive revisions needed. Committee Member Billings indicated he made a list of these changes and will forward to Monica Foster for edits.

Committee Member Billings noted on page 10, paragraph 4, line 2, there may be a discrepancy as to the verbiage of a “\$50M cost overrun for water main replacements and delays” and believes this is not accurate. Chairperson Peugh suggested the deletion of that particular sentence (sentence 2).

Chairperson Peugh indicated on page 25, row 2, the column heading of table should be labeled “Meter Size” opposed to “Increase Amount.” Also, where Water and Wastewater Department are named, should be changed to “Public Utilities Department.” Chairperson Hollingworth indicated page 28, second chart down, should refer to as “per FTE.”

Mr. Ruiz commented on page 17, third section: *Automated Metering Infrastructure (AMI) Project*, first sentence, should be noted AMI has not been implemented at this point in time. He then read a modified version of language he suggests. Committee Member Webster and Committee Member Billings suggested leaving the paragraph in, however suggested a minor language change and this suggested modification to be added as a footnote describing the reason for postponement of the AMI. Committee Member Webster stated he would insert the modified language for the footnote as described by Mr. Ruiz as follows: “In Fiscal Year 2010, the Department prioritized deployment of a new ERP Customer Care Solutions (CSS) technology that in conjunction with the future deployment of Advanced Metering Infrastructure provides enhanced benefits to the City’s customers. The decision to postpone the deployment of the AMI technology was due to the recommendations of an expert in the utilities community that both the CSS and AMI systems not be deployed concurrently.

Action: Chairperson Peugh asked for a motion to adopt the changes to the Annual Report. Committee Member Billings moved to approve the Annual Report, FY 2010

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

with the non-substantive grammar changes discussed; to delete the second sentence of Item 12, on page 10; and related to the AMI statement on page 17, changing it to indicate that the City had planned to implement AMI, and to include language from Committee Member Webster that Mr. Ruiz provided as a footnote to that section. Committee Member Murray seconded. With Committee Member Dull absent, all others were in favor to adopt the Annual Report following said corrections.

12. Subcommittee Reports:

a. Finance

- Reviewed the CIP Program in extensive detail.
- Discussed the monthly Financial Reports, the Department continues to work on the financial reporting process.

b. Environmental & Technical

- Discussed impacts of the black out.
- Discussed Asbestos Concrete Pipeline replacement program.
- Presentation regarding placing epoxy lining in water pipes, which was interesting.

c. Public Outreach, Education & Customer Service

- None. Expecting next meeting to include metrics on the outreach for the Demonstration Project, as well as a report on Conservation Outreach Annual Report.

13. Metro/JPA – Report Out – Augie Caires

- Update and discussion on Recycled Water Study, coming to IROC soon.
- Presentation on Managed Competition Program.
- Asked that the November meeting have a similar presentation to the one on the future Waiver Permitting Strategies the City is developing, to be more involved in the process to support the City.

14. Accepting Nominations for Finance Subcommittee

Action: Committee Member Hollingworth moved to nominate Ex-Officio Ken Williams, Committee Member Billings seconded, all others were in favor of the nomination.

15. Proposed Agenda Items for Next IROC Meeting

- Committee Member Billings reiterated his past request to include a standing Agenda item for the Mayor and Council, or policy advisor, to attend and interact with IROC. He added the communication is through the Annual Report and its' presentation. He proposed having a discussion on whether or not to have a standing item on future Agendas.
- Committee Member Kubota would like to discuss next steps for the Auditor's Report on the CIP Program and activities, since Public Utilities represents more than half of the package.

16. IROC Member's Comments

Independent Rates Oversight Committee – IROC

September 19, 2011

MINUTES

Chairperson Peugh asked if Committee Member Ross would be interested in joining any of the subcommittees. Committee Member Ross indicated he would be interested in the Public Outreach, Education and Customer Service Subcommittee, which seems appropriate.

Committee Member Kubota noted the Water Environment Federation (WEF) national conference is in Los Angeles on October 15-19, which is an excellent and educational conference. Mr. Ruiz confirmed and commented the Department is an active

Meeting adjourned at approximately 12:10 p.m.