

Independent Rates Oversight Committee (IROC)

April 15, 2013

MINUTES

1. **Roll call**

Chairwoman Welch called to order the regular meeting of the IROC at 9:10 a.m. Monica Foster conducted roll call, and a quorum was declared. Attendance is reflected below:

<b>Members:</b>	<b>Present</b>	<b>Absent</b>
Gail Welch, Chair	X	
Don Billings, Vice Chair	X	
Christopher Dull	X	
Andy Hollingworth		X
Jeff Justus	X	
Jack Kubota	X	
Jim Peugh	X	
Irene Stallard-Rodriguez		X
Todd Webster	X	
<b>Ex-Officio Members:</b>		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10		X
Yen Tu	X	

*City representatives present: Roger Bailey, Director of Public Utilities, Tom Crane, Assistant Director*

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of March 18, 2013**

Chairwoman Welch asked for a motion to approve the minutes as submitted.

**ACTION:** Member Peugh moved to approve, Member Dull seconded. Motion passed unanimously.

4. **Approval of Draft Minutes from Special Workshop of March 11, 2013**

Chairwoman Welch asked for a motion to approve the minutes as submitted.

**ACTION:** Member Peugh moved to approve, Vice Chair Billings seconded. Motion passed 7 (in favor) - 0 (opposed) - 1 (abstained, Dull).

5. **Chair updates – Chairwoman Welch**

- The scheduled meeting with NR&C to present the FY14 Work-plan was cancelled and will now plan to present at the May 15 NR&C meeting.
- Chairwoman Welch and other IROC members met with Mayor Filner on April 11, topics discussed were: concerns with Customer Service Division from the Outreach & Communications Subcommittee; pipe replacements from the Infrastructure & Operations Subcommittee; IROC open and expired member positions and the need to fill; and also shared the FY14 Work-plan welcoming for suggestions.

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- Chairwoman Welch will not be in attendance at the next IROC meeting of May 15.
- Qualcomm's Earth Day fair will be held at Qualcomm's lawn on Morehouse Drive, at 11:00 a.m. on April 24. The City's Water Conservation section and Advanced Water Purification Demonstration will have booths this year.
- At the June 17 meeting, MWD and CWA will present. Please send any specific questions to Chairwoman Welch as soon as possible so they can prepare.

6. **City Staff updates**

- **Director Bailey:** At the May 20 IROC meeting, there will be an update on the Cost of Service Study, discussing different scenarios for revenue adjustment.
- **Sewage Spills and Water Main Breaks Update:**  
**Terrell Powell, Water Utility Supervisor:** 15 spills vs. 15 same time last year. There have been 2 spills since last IROC meeting. Also, there have been 672 miles of pipe cleaned, and overflow volume is 16,000 opposed to 14,800 the same time last year.
- **Bernard Powell, Water Systems District Manager:** There have been 28 fire hydrant knock-overs vs. 32 the same time last year. There were 43 water main breaks vs. 27 the same time last year. He indicated the type of material the pipes consist of may be a factor.
- **Stan Griffith, Assistant Director:** Noted one of the main focuses is response time, placing special emphasis responding to and shutting down water on breaks as quickly as possible. The standard on the Wastewater side, staff is required to get to events within 30 minutes, the current average staff response time is 19 minutes. The Water side as the same expectation. Member Peugh asked to see the statistics at the next meeting.

7. **Mayor and Council Staff Comments**

None.

8. **City 10 – County Water Authority Update, Yen Tu, City 10 Alternate**

- Tours of the Colorado River, as well as the State Project Tour, area coming up soon. If members are interested, please notify her as soon as possible.
- The 2-year budget process begins in May, and there is finance changes anticipated.

9. **Public Utilities 2<sup>nd</sup> Quarterly Capital Improvements Program Report of FY2013**

Guann Hwang, Deputy Director, and Tung Phung, Senior Civil Engineer presented the 2<sup>nd</sup> quarter which covers October – December, 2012. They reviewed the latest Dash Board information and highlights for both Water and Wastewater for this quarter, including status and cost.

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Mr. Hwang pointed out, for the Water Regulatory Project Updates, that the Department of Public Health compliance order requires 10 miles of cast iron (CI) main replacement per fiscal year, however a total of 11.96 water miles have been awarded, and 8.26 miles have been completed this quarter. Of the awarded miles, 9.01 miles were CI mains.

Water Planned vs. Actual expenditures were then reviewed.

The same topics were covered for the Wastewater side. Pointed out for the Wastewater Regulatory Project Updates, was that the EPA Consent Decree mandates of repair, replacement, and rehab of 450 sewer miles of aged sewer mains were met by the Department by completing 451.5 miles by the end of fiscal year 2012. The Department plans to replace/rehab 45 sewer miles in FY2013. As of December 31, 2012, 17.05 miles have been awarded and 35.09 miles were completed.

Mr. Hwang provided the Forecast vs. Actual Expenditures and discussed a new section added to the Report, "Project Schedules". He indicated they worked closely with Engineering & Capital Projects (E&CP) Department and the Operations and Infrastructure Subcommittee to develop the new format. This new format shows a start date as well as an end date for the Planning/Design/Award Phase and the construction phase with variances from the baseline schedule for each phase.

Darren Greenhalgh, Deputy Director of E&CP joined in, and pointed out that the yellow highlighted line items identify variances in excess of six months. Chairwoman Welch asked what line items should be focused on when reviewing the schedule, and how the projects are sorted. Mr. Greenhalgh indicated that projects with more than 6 months delay are highlighted, and there will be a column for comments on future reports indicating why the project was delayed. He stated that the projects are sorted by cost from highest to lowest with Water separated from Wastewater, which are shown the Muni projects first and the metro projects last.

Member Kubota asked if there is a method to plot the cause for delay on those highlighted projects. Mr. Greenhalgh indicated that a Project Charter process has been implemented to define the original baseline schedule and cost and describe the impacts of a delay or increase in cost as they occur. He added that a Project Charter amendment agreed to by Public Utilities Department and Engineering Department will define what the change was, why it occurred and what the impacts to schedule and costs are for that issue. In the future, these Project Charters and Project Charter Amendments will further define what has caused delays, so they can be summarized.

Last, Mr. Hwang referred to the FY13 Change Order Log, pointing out two Group Jobs which had exceeded 10% of the original project cost.

Member Peugh asked for information regarding delay for line item 1 of the Water Project Schedule (Miramar Clearwell Improvements). Mr. Greenhalgh did not have this information available, and will follow up with this information. Vice Chair Billings suggestions several format changes, for a better view of information.

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Member Webster commented on the Change Order Log contingency built into the cost estimates, and asked what percentage of the contract is used for contingencies, and how the totals are assessed. Mr. Greenhalgh indicated that the standard policy is to budget 5% contingencies for construction at the time of award of the construction contract. If it is exceeded a written justification must be provided. After completion of the project, there is a thorough walk-thru to assure that the contract has met all the conditions of the contract, and evaluate all the necessary warranty and maintenance considerations before the warranty expires.

Member Peugh asked if a third color could be added to indicate high visibility projects. Mr. Hwang indicated additional reporting will be reviewed at the Infrastructure and Operations Subcommittee before each quarterly report to IROC is issued. Vice Chair Billings added that the information and status would be beneficial so IROC can assist by weighing in. He also shared that he learned about a new type of pipe material called ductile iron, which Los Angeles is currently experimenting with, especially at fault lines.

10. **Water Purification Demonstration Project – Final Project Report**

Marsi Steirer, Deputy Director, introduced panel members Jeff Pasek, Watershed Manager, and Amy Dorman, Senior Civil Engineer, also in attendance to answer questions were Greg Wetterau, CDM Smith, Susan Paulsen, Flow Sciences, Inc., Patsy Tennyson, Katz & Associates, and Yen Tue, Yen Tu Consulting.

Ms. Steirer described the Project objectives which are to determine the feasibility of the technology and the viability of being able to implement a full scale and direct potable reuse reservoir augmentation project. She listed the water reuse timeline from 1993 through City Council approval in October 2007. Ms. Steirer then discussed the Demonstration Project components.

Ms. Steirer reviewed a detailed illustration showing the Demonstrations Project purification process, including potential full scale advanced water purification and transmission pipeline. Next, she described the Advanced Water Purification (AWP) Facility's scope of work to design, procure, install, operate, and test a 1 million-gallon per day facility at North City. Also in the scope is to develop and implement a testing and monitoring plan, preparing a report based on the operation and testing of the demonstration facility.

Ms. Steirer discussed the Testing & Monitoring Plan testing period from August, 2011 to July, 2012, concluding that the purified water met all federal and state drinking water standards, and is comparable to the Orange County's Groundwater Replenishment System. She added that the Independent Advisory Panel (Panel) engaged in the process by providing feedback on the reservoir study, AWP facility, as well as was instrumental in assisting in the preparation of a conceptual approval document submitted to the California Department of Public Health (CDPH). The Panel indicated they believe that the Report is responsive to the directives set forth by the City Council.

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Ms. Steirer then reviewed the San Vicente Reservoir Study. Currently, the San Vicente Reservoir is being enlarged with construction anticipated to be complete later this year. The objectives of this study were to determine the length of time this water would be in the reservoir and the degree to which it would blend with the water in the reservoir from other sources such as runoff and imported water. She then discussed the results noting that the reservoir satisfies anticipated regulatory requirements, minimum dilution is 200:1, water quality in San Vicente will not be impacted by the blending, and the expansion will improve water quality.

Ms. Steirer indicated that regulatory agencies, CDPH, Regional Water Board, and County Dept of Environmental Health, attended IAP meetings and she summarized their comments as well as supportive responses to the Department's submitted proposals. She indicated the City Council required a separate energy and economic analysis for a full-scale facility. She then presented a detailed table of estimated costs for the San Vicente Indirect Potable Reuse (IPR)/Reservoir Augmentation (RA). Also shown were avoided wastewater costs, and a map diagram of the pipeline alignment study.

Ms. Steirer then described the public outreach and education program which highlighted speaker bureau presentations, community events, facility tours, and more, also noting there has been a lot of media coverage as of late about the Project and the viable option to pursue. Next, she reviewed the budget and expenditures, describing line items for project tasks, original budget, actual contract costs, and final expenditures. She noted we are approximately \$418K under budget.

Ms. Steirer then reviewed the sources of funding and remaining funds. With the special rate increase, State Prop 50 grant, a Bureau of Reclamation grant, after projections there will be approximately \$1.35M remaining. These remaining funds will be used to continue operating the AWP facility, and utilizing the Prop. 50 grant to assist in the operational expenses through early 2014, as well as using the Prop. 84 grant to study potable reuse, which is very important. Further, public outreach activities and tours will continue. Ms. Steirer then briefly listed the next steps.

Last, Ms. Steirer displayed a slide showing the concept of direct potable reuse. She indicated this concept eliminates detention time in the reservoir, as discussed before. She then brought attention to Senate Bill 918, adopted in 2010, which requires CDPH by the end of 2013, to adopt regulations for indirect potable reuse/ground water replenishment. CDPH is finalizing those regulations and adopting them. There are other aspects required as well, such as preparing a report on the feasibility of direct potable reuse by the end of calendar year 2016.

Ms. Steirer asked for IROC to support City Council adoption of the Water Purification Demonstration Project final report.

Vice Chair Billings commented on the net cost of this water relative to alternatives, he indicated the energy and greenhouse compares very favorably to desalination as well as the current cost of imported raw water. He asked if there are some avoided costs not considered, such as full secondary at Pt. Loma. Ms. Dorman indicated the avoided costs

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are estimated based on the 15 mgd concept, which is not enough of an off-load at Pt. Loma to change the cost of secondary. Director Bailey added that this will go to City Council and ultimately they will provide direction, and this will be assessed.

Vice Chair Billings confirmed that chemically, there is no benefit to pumping to San Vicente and mixing with imported water. Mr. Greg Wetterau commented the only benefit to blending is that this water is stripped of all minerals, and would be stabilized somewhat, before blended. Vice Chair Billings also asked in regard to the limnology study, was it model based? Mr. Jeff Pasek indicated a 3 dimensional computer model was used to simulate the large reservoir. He added tracer studies were actually used in the 1990 study, which validates that the model works.

Chairwoman Welch asked about outreach efforts, and resistance/acceptance of the project in the community. Ms. Steirer reiterated the ongoing outreach efforts, and added she has not experienced much negativity, there is continual communication, presentations, and outreach to all communities including multicultural to bring awareness. Ms. Yen Tu also shared positive comments received from the community for presenting early on in the process. Ms. Patsy Tennyson concurred and added that in her experience, educating the community early is the key, once educated, this gives favorable feedback. Director Bailey stated the Department is fully committed and will continue to educate and be responsive to any concerns. Ms. Steirer added that City Councilmembers are aware of the ongoing public outreach as well which adds to the public outreach.

Member Peugh commented on a presentation slide associated with Direct Potable Reuse concept, and recommended staff to include a failsafe component graphic, after the purified water leaves the advanced water purification treatment process.

Member Webster asked if the water coming off of the UV/advanced oxidation stage met all primary and secondary MCL's according to the Department of Public Health. Staff indicated absolutely. Mr. Webster also commented on the cost per acre-foot, he suggested administratively, for staff to provide information that can help the public's understanding of what the actual cost is.

Member Webster commented on a presentation slide and asked what the cost is from San Vicente, for conveyance to Alvarado as well as the cost for additional treatment. Ms. Steirer indicated this calculation was not included in this presentation, as this is for comparison purposes. However, this information is available, and she will provide. Member Webster then commented on the unit cost shown of \$6.87 per month that was associated the household water bill, and suggested explaining to the customer what that cost would be if the pipeline were taken away. Ms. Steirer indicated the difference in cost cannot be assumed at this point due to several factors.

Director Bailey pointed out that that whichever the Mayor and City Council decide to move forward with (Indirect Potable Reuse/Direct Potable Reuse), there will be a tremendous cost to the City. He indicated we need to focus on the rate structure for Desalination. The City did present an alternative that was shared with IROC, which he

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would like to present again, but the concern is ending up with a tremendous fixed cost from CWA.

Member Peugh commented on presentation slide 29. He asked if an explanatory comment can be added to explain that the zero cost in Capital costs for the Reduced Treatment at Point Loma column is for the smaller system. Ms. Steirer concurred. Member Justus added perhaps include the actual Capital costs with and without the larger 80 mgd reuse alternatives to off load Point Loma.

Member Justus voiced concern with information on presentation slides 28-29 associated with Avoided Wastewater Costs, that the estimated \$1,000 per a/f in avoided wastewater costs may be high, as it is 50% of the estimated cost of reservoir augmentation. Ms. Dorman indicated this in related to the timing of these projects. She explained the Pt. Loma Wet Weather Storage Facility has already completed preliminary design, and can be constructed much sooner than the North City IPR project, and would realize the avoided wastewater cost sooner. Also, the financial analysis did include costs for rehab and replacement so there is a percentage of the project cost that was assigned year after year for the 50-year financial analysis. Vice Chairman Billings asked if actual figures can be provided. Ms. Steirer concurred.

**ACTION:** Member Peugh motioned to support the City Council adoption of the Water Purification Demonstration Project Final Report, as well as recommend the City Council move ahead with the Council Actions on Page 47 of this presentation. Vice Chairman Billings seconded the motion. Motion passed unanimously.

**11. IROC's recommendations for FY2014 Performance Audits to be performed by the Office of the City Auditor (OCA)**

Ernie Linares, IROC Liaison, gave a brief background summary indicating that IROC has recommended three audits thus far that the OCA has conducted, and currently the OCA is conducting two, which the IROC had not voted on, but pertains to IROC. He indicated the OCA notified IROC earlier in the year that they are seeking recommendations from IROC as to one or two audits which can be conducted in FY2014. Since, each IROC Subcommittee has met, and made recommendations. Provided in the packet are the final four (4) recommendations (two being from Finance, one from Infrastructure and Operations, and one from Outreach and Communications) submitted for a vote of which two audits will be recommended to the City Auditor. He indicated members are asked to rank order for recommendations for the audits.

He noted Member Hollingworth could not be here today however, he is on record for recommending Items 1 and 2 of the 4 provided recommended audits. Member Stallard-Rodriguez could not be here today, however she is on record for recommending Item 4 of the 4 provided.

Sean Karafin, San Diego Taxpayers Association, commented that since it was a non-binding informal exercise, rather than a formal vote, that the non-voting ex-officio

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members should be allowed to participate. He also suggested addressing the issues in a timely manner, or ask the Auditor what the timeframe is in completing the requests, to see if it is still relevant.

Members briefly collaborated, and each member was given a score sheet to rank the 4 choices with their number 1 choice receiving 4 points, second choice receiving 3 points, third choice receiving 2 points, and last choice receiving 1 point. Member Dull collected the tally sheets, added the points up and announced the informal vote results:

Recommendation 1= 18 points; Recommendation 2= 13; Recommendation 3= 24; and Recommendation 4= 19. Therefore, the two Audits to be recommended for the FY2014 Performance Audits by the OCA are Items 3, *Overhead Rates and Interdepartmental Charges* (noted it does include Service Level Agreements), and Item 4, *Review the overall Customer Support Division as described in the OCA's FY13 Risk Analysis. It should be noted that the OCA will audit the accuracy of water meter reading in FY13 – No other aspect of the Customer Service Division will be audited in FY13.*

Member Dull noted that if the non-present Member's scores were not included in the tally, the ranking would not have changed.

**ACTION:** Member Peugh moved to recommend to the OCA, Items 3 and 4 without preference, Member Dull seconded. Motion passed unanimously.

**12. Nominations/Elections for Chair and Vice Chair of IROC**

Chairwoman Welch opened nominations for next term Chair position of IROC. Member Kubota nominated Gail Welch.

**ACTION:** Member Dull moved to close nominations. Member Peugh seconded. Motion passed unanimously.

**ACTION:** Vice Chairman Billings moved to re-elect Gail Welch to serve as Chairwoman for the May 2013 – May 2014 term of IROC. Member Justus seconded. Motion passed unanimously.

Chairwoman Welch opened nominations for next term Vice Chair position of IROC. Member Kubota nominated Don Billings.

**ACTION:** Member Kubota moved to close the nominations. Member Peugh seconded. Motion passed unanimously.

**ACTION:** Member Kubota moved to re-elect Don Billings to serve as Vice Chairman for the May 2013 – May 2014 term of IROC. Member Peugh seconded. Motion passed unanimously.



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13. **Subcommittee Reports:**

a. **Finance – Andy Hollingworth**

No comments.

b. **Infrastructure and Operations – Jim Peugh**

- Presentation on the “Find it, Fix it” concept of when failures are identified, to fix them on the spot, staff indicated there was this capability if needed.
- Discussed the Water Facilities Master Plan. He requested a histogram of when pipes were installed, as well as a cumulative graph. Very productive discussion.

c. **Outreach and Communications – Gail Welch**

- Discussed the Customer Service Division audit recommendations..

14. **Metro/JPA Report out – Gail Welch**

No report, meeting was cancelled.

15. **Proposed Agenda items for next IROC meeting**

- Chairwoman Welch will not be in attendance in the May 20 meeting. Vice Chair Billings will chair the meeting.
- Alternative for desalination cost impact in June.
- Quarter 3 CIP Report
- FY14 Proposed Budget
- Cost of Service Scenarios

16. **IROC Member’s Comments**

Ex-officio Member Natividad commented that during the Outreach & Communications Subcommittee meeting, members expressed concern with outreach to the Latino community. He indicated the message regarding the Advanced Water Purification Project has not been shared in any of the Latino communities in his recollection. He also would like to see the scope of services and list of individuals who applied for and selected for the outreach.

Director Bailey commented that the scope of services and additional requested information can be provided. He also asked that if Ex-officio Member Natividad or Subcommittee Chair Stallard-Rodriguez had an idea or suggestion of which Latino communities staff can present to, please let him know, as it is very important to encompass all communities. Chairwoman Welch added that outreach is very active and is on-going, and perhaps these communities are already on the radar.

Ms. Yen Tu commented she represents the Multi-cultural outreach, she met with Subcommittee Chair Stallard-Rodriguez and would like to meet with Member Natividad. He concurred.

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Member Kubota commented that he read the PUC is considering a rate increase that is retroactive to January, 2012. He would like to know what kind of impact this has on the contingencies.

He also shared that he read that Mr. Aguirre, previous City Attorney, filed a lawsuit on behalf of the City of San Diego, against the tankers at the Qualcomm Stadium, and the City lost. He is interested in knowing what this cost the Department. Director Bailey indicated the Department received direction from City Council to appeal.

This meeting was adjourned at 12:10 p.m.

Minutes submitted by:           Monica Foster