

Independent Rates Oversight Committee (IROC)

July 17, 2013
MINUTES

1. Roll call

Chairwoman Welch’s called to order the regular meeting of the IROC at 9:32 a.m. Monica Foster conducted roll call, and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
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	
Ex-Officio Members:		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10	X	

City representatives present: Roger Bailey, Director (arrived at approximately 10:15); Tom Crane, Assistant Director; Ann Sasaki, Assistant Director; Tom Zeleny, Deputy City Attorney

2. Non-Agenda public comment

Elwood Tweet, San Diego resident, commented about the Water Department policy for administration citations. He indicated he received a citation in February from an officer of the City, claiming the Water Department needed free access to a water meter which he was under the impression for 25 years, there was free access. It stated that the City was requesting an additional foot on either side of his hand-built 24’x 30’ wall. He stated that a 4-foot section of his wall has since been removed. He indicated the officer stated that the policy now is that the Water Department and the City Code Enforcement can both be involved, needing dual satisfaction with punitive damages. Mr. Tweet commented that as a consumer of utilities, he believes this is unfair.

Member Stallard-Rodriguez indicated that while on a ride-a-long with Code Enforcement in March, it is her understanding that this situation was out of the Public Utilities Department’s hands, and now is a request from the City to remove the wall so the meter can be replaced. She asked the Department when this type of situation becomes a City violation.

Michael Vogl, Deputy Director of Customer Support, indicated in this case, the meter needed to be replaced. Although the meter could be read at the current location, it could not be replaced, which triggered the initial violation. He believes that because the wall encroaches in the public right-of-way, this brought in Neighborhood Code Compliance, and there are multiple properties involved in this particular instance. He added that the Neighborhood Code Compliance is aware that the Department’s issue is resolve with regard to his property.

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3. **Approval of Draft Minutes of June 17, 2013**

Chairwoman Welch asked for a motion to approve the minutes of June 17, 2013.

ACTION: Member Kubota moved to approve as submitted, Member Peugh seconded. Motion passed 8 (in favor) - 0 (opposed)

4. **Approval of Special Workshop meeting of June 24, 2013**

Chairwoman Welch asked for a motion to approve the minutes of June 24, 2013.

ACTION: Vice Chairman Billings moved to approve as submitted, Member Peugh seconded. Motion passed 6 - 0 - 2 (abstained: Dull, Stallard-Rodriguez)

5. **Chair updates – Chairwoman Welch**

- Asked all Subcommittees to add to their September agendas, to review and discuss their Subcommittee notes for the FY2013 Annual Report. The goal is to submit to the NR&C by the end of October.

6. **City Staff updates – Roger Bailey, Director**

This item was heard out of order, following item 8.

- Personnel changes are happening in the Mayor's office, and the newly appointed Interim Chief Operating Officer is Walt Ekard; the newly appointed Assistant Chief Operating Officer is Scott Chadwick; the newly appointed Human Resources Director is Judy Von Kalinowski; and the new Director of Policy in the Mayor's Office is Nelson Hernandez.
- Mayor Filner has no intention to resign, which was said in today's meeting.
- Director Bailey's last day with the City will be August 2, 2013, indicating he was very fortunate to work with IROC, and the City of San Diego. He expressed his gratitude to work with City employees and believes they deserve to be commended in a lot better way than is done currently.

Chairwoman Welch spoke for the IROC members, and gave thanks to Director Bailey for his guidance and openness with the IROC Committee, and wished him well.

Stan Griffith, Assistant Director:

- Update on the Meade Avenue break last month, he indicated was caused by unanticipated soil conditions with hard clay as well. Due to legal fire requirements, and to give residents an adequate amount of time to provide a fire watch. With this particular instance, water was not able to be shut off as immediately as desired.

Ex-Officio Member Natividad asked if there is a cost recovery program in place for fire hydrant knock-overs. Mr. Griffith indicated yes, the insurance companies are billed.

Bernard Powell, District Manager, Water Construction/Maintenance Division:

- Water main breaks: 57 year-to-date vs. 48 last year, and Fire Hydrant knock overs 45 vs. 53 this time last year.

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Agnes Generoso, Interim Deputy Director, Wastewater Collection Division:

- Sewer Spills: 25 to date, compared to 23 same time last year.
- Response time to emergency calls is just under 20 minutes on average.
- Ahead of the EPA (1500 miles per year) cleaning schedule and currently at 1300.

7. **Mayor and Council Staff Comments**

None.

8. **San Diego Water Policy Implementation Task Force Report**

This item was heard out of order, following item 5. Council Member Lightner commented that she was inspired to develop a policy in 2009, after learning the City was using decades old Council Policies on Water Supply and Management, and the City being “off track” when it came to developing a local sustainable water supply. She indicated the policy was vetted through numerous stakeholders in 2011 to discuss efforts and incorporate ideas. Ultimately and unanimously, it was adopted of the City Council, and a Task Force was established to make recommendations on implementation. She noted the majority of their recommendations had passed unanimously by Task Force vote, and that she applauds their amazing efforts. She recognized the diligent support that staff of the Public Utilities Department, Transportation & Storm Water, City Attorney’s Office, and City Council staff. She added she looks forward to hearing this report at Council and appreciate IROC’s time to review and offer comments.

Cary Lowe, Water Policy & Implementation Task Force Chair, presented. He indicated after a year, they are just beginning to adopt recommendations. He provided the members a Report, and materials outlining the goals and recommendations. He then gave a brief description of the task force, and their progress. He acknowledged the Council has been very supportive as well as departmental staff, and members of the public. Mr. Lowe indicated their goal was to come up with a real action plan which the City can ensure a long range sustainable water supply. He recognizes there are cost implications to many of the recommendations, but are making the best policy recommendations that could be agreed on in a group.

He indicated they are looking for IROC’s review and comments before they are presented to the NR&C September meeting, as well as City Council. He then asked IROC to compile and submit any comments to the Council Committee in the next couple of weeks. Chairwoman Welch suggested IROC members take this time to verbally express their comments individually and follow-up with any other written comments as soon as possible. She will then compile them and forward to Mr. Lowe. Verbal comments from the members are below:

Jim Peugh:

- **Goal No.1, Reduction in Total Imported Water:** Concerned with Department response which is implying our water conservation numbers should match the County Water Authority, he disagrees. The City has distinct needs. The City’s conservation policies should address the needs of the City, even if they are different from those of other agencies.

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- **Recommendation No. C3, Water Budget Based Billing:** Pleased that the task force did not advocate budget based pricing for residential. It would seem appropriate to consider budget based billing for hotels and restaurants. The budget could be based on the number of beds billed for hotels and the number of settings served for restaurants to encourage conservation.
- **Recommendation No. C4, Water Conservation Ethic:** IROC should revise subcommittee structure, so there is a subcommittee which can focus on conservation.
- **Recommendation No. C7, Cash for Grass Program:** If we had water rates that are more conservation oriented than we currently have this could obviate some of the need/expense of the Cash for Grass Program.

Mr. Lowe indicated unfortunately the City's Rate Study has not been finalized as of yet. So there was a struggle with what was said about rate restructuring. Member Peugh indicated that the City of Davis is proposing a system of water rates much more conducive for conservation and this may be better than these current recommendations.

- **Recommendation No. IT8 points out that the City needs to consider that wastewater will have real value when we get to high levels of reuse. However, Recommendation Nos. WR 13-17** encourage extremely liberal permitting of graywater systems that does not consider of the value of the water that will not return to the wastewater system due to those graywater systems. This seems like a significant conflict that could eventually limit our ability to provide potable water through reuse.

Andrew Hollingworth:

He commented he would like the Task Force to address what the impact will be on the capital costs, rate payers, and industries.

- **Recommendation No. C9, Retrofit at Resale:** He believes the retrofit at re-sale recommendation will get a lot of opposition from the realty industry, in his experience.
- **Goal No.1, Reduction in Total Imported Water:** Concerned with the increase of conservation goal from 12-35%, which will have major cost implications in order to accomplish this.
- **Goal No.2, Increase in Total Recycled Water:** Concerned that he believes the cost of recycled water exceeds the cost of potable water. So there are major cost implications with this goal.

He commented that before going forward to City Council, that cost estimates for these proposals should be determined. He also would like these goals vetted through some of the industries, which he believes will have impacts.

Mr. Lowe indicated there was very diverse business representation on the Task Force, and many of these topics were vigorously debated. All of these recommendations are supported for what is best for the City as a whole. He indicated the first set of items in the Report are described as "goals" rather than recommendations, and are targets for the City to strive for. He added when going to the Construction and Facilities industry, what he took back was that it is more important that the water supply be reliable and sustainable than cost.

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Christopher Dull:

- **Recommendation No. C1, Permanent Voluntary Drought Standard:** Recommends coordination with other agencies in the county, and to avoid confusion with the public, doing this on a regional basis in coordination with the County Water Authority so all designation of stages of droughts are the same.

Gail Welch:

Recommendation No.C3, Water Budget Based Billing: Indicated she looked at some cost implications and impacts to businesses. With respect to water based budgeting for commercial and industrial, she cautioned that it is not all discretionary usage as some may think. Some companies use cooling towers as part of their highly efficient building air conditioning processes, and imposing a water budget based system could directly impact operational costs for companies in a very negative way.

Don Billings:

He commented that there are parallel efforts ongoing with respect to water supply, with the Long Range Water Resources Plan (LRWRP), and asked if there has been a comparison of recommendations done to see if there are any conflicts. Mr. Lowe indicated it was too difficult to merge work in a meaningful way. They did do their best efforts to work with and not be in conflict, but some may. Member Billings noted there may be conflict with some related to storm water, infiltration, urban run-off, etc.

- Recommends that when presenting to City Council, if appropriate with the Task Force, comments be made about recommendations the Task Force is making about supply options, as well as the difference that the LRWRP analysis did in fact attempt to look at cost and benefits explicitly. Also it could be called out in the report that the recommendations could change once those costs and benefits are analyzed and understood.
- **Recommendation C10, Water Use Monitoring:** Not sure why outdoor use would be monitored unless there would be a higher rate for outdoor use. Unclear with the recommendation. He also commented a lot can be accomplished with rates.
- **Goal No.1, Reduction in Total Imported Water:** Asked if there was an analytical basis of determining the numerical goals, or were they only agreed upon by the Committee. Mr. Lowe indicated he researched, analyzed, and met with staff and other agencies, in order to have information to present to the Task Force for reaction. The consensus was formed with these numbers.
- **Recommendation No. C9, Retrofit at Resale:** Agrees with Member Hollingworth, does not support this.
- **Recommendation No. C3, Water Budget Based Billing:** Asked if the Task Force explicitly consider and reject budgets for residential, and is there a view on whether we get there by tiering irrigation rates instead of budgets?

Mr. Lowe indicated that the question of including residential was discussed, however they were too divided and a consensus was not met. He noted that this is much more complicated in terms of implementation and are not ready.

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Vice Chairman Billings added, in his opinion, IROC wants to help the City professionals do their jobs, and they work in a political environment. He commented that with an ever-changing City Council, with short terms, and their own agendas, it makes sense to have a professional Board make recommendations. He asked Mr. Lowe if the Task Force has addressed the overall question of governance, so that there can be more stability in planning, policy making, and execution. Mr. Lowe indicated this would be beyond the purview of their mandate.

Irene Stallard-Rodriguez:

She asked if the Task Force has looked into the Municipal Code for the possibility of placing a cap on the amount of potable water allowed, to be used for large construction projects. These tend to use millions of gallons per day from a residential water meter instead of using recycled water. Mr. Lowe indicated he does not recall discussing this issue.

Jack Kubota:

- **Recommendation No. C2, Water Conservation Code Modification:** Suggested discussing landscape metering, or discretionary water needs, for those who use waterscapes, pools, etc., as it ties to graywater.
- **Recommendation No. C8, Conservation Equipment Rebates:** Supports this.

He commented that it would be a good focal point if water could be separated by personal use and discretionary use. He believes that the ethic and education is most important.

Vice Chairman Billings added rather than investing in new meters, bills, etc., perhaps establishing tiers that correspond with basic indoor use, and a second tier for use above that. Member Kubota concurred.

Member Hollingworth suggested to Chairwoman Welch, that IROC submit in writing the concerns, and she draft a consolidated letter to the NR&C Committee.

Chairwoman Welch asked Mr. Lowe how he wished IROC to proceed with the comments. He indicated comments should be consolidated and addressed to the NR&C Committee, but with a copy to the Task Force or vice versa. He indicated the Council had only asked that they have IROC look at the recommendations before they proceed to City Council.

Tom Zeleny, Deputy City Attorney, indicated that the comments can be listed individual by each member's name or consolidate them into one document and vote on them as an official IROC position.

Vice Chairman Billings commented that to the extent that IROC agrees, IROC's comments have more force, speaking with one voice.

Todd Webster:

He asked what the thought process was about multiple-family dwelling units, since he notices a lot of the conservation recommendations are based on single-family dwelling or

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construction. Mr. Lowe indicated multi-family is complicated and difficult to have the property owners make improvements that they may or may not be able to recoup the costs from their tenants. However, there are substantial conservation opportunities in this sector.

- **Recommendation No. IT3, Assisting New Technologies:** He asked with regard to innovation and technology, he suggests extending this to Wastewater. He recommends technology improvements at the Pt. Loma Plant.

Ken Williams:

He commented that he encourages that the Goals for the City reflect the Goals of the regional entities (CWA), because of the communication aspect. He noted it can become confusing, and the effort becomes diluted.

Luis Natividad:

Would like all individual comments to be compiled as one voice, and then bring forward to IROC to vote on. Also, he suggests the Task Force have a follow-up meeting, to discuss the IROC's comments so they can be taken into consideration before presenting to the NR&C.

Chairwoman Welch proposed the individual comments made today be compiled, and asked IROC members to send any other comments/recommendations to her. She will then submit these under a letter to the Task Force with a copy to the NR&C.

Mr. Lowe indicated if the comments are sent to him in the near future, they will be distributed to the Task Force members and poll them to see if another meeting is necessary to consider formal action on the recommendations. IROC then expressed their gratitude for the effort of the Task Force.

9. The Amendment to San Diego Municipal Code – Low Flow Toilet Retrofit upon Re-Sale Ordinance Revision

Chris Robbins, Supervising Management Analyst with the Customer Support Division, commented that his purpose to present today is to request support to modify the existing Municipal Code 147.04. He provided background information on how this code was put into place originally, and the purpose to reduce sewer flows and save imported water. He explained that the existing code does not require retrofit of 3.5 gallons per flush (gpf) toilet, and that there is a more updated requirement from Senate Bill 407 chaptered into law in 2009, having the target dates to have higher flow toilets replaced to a 1.6 gpf by January 2017.

Mr. Robbins gave a brief background of the existing database, and indicated that the Senate Bill states that properties built after January 1, 1994 should already have low flow fixtures; therefore, certificates would not have to be collected for those. Older properties will have to comply, so there will be public outreach in the communities. He added if implemented as recommended, the projected water savings eventually would be approximately 182M gallons annually. The projected impact on customers should see a decrease in required water conservation certificate submittals, as the Department would certify as compliant all properties built after January 1, 1994.

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He added since the State CPC standards are more restrictive with a hard fixed deadline, it makes sense to recommend the City modify the Municipal Code 147.04.

Member Hollingworth asked if existing homes built prior to January 1, 1994, will this require the plumbing fixtures be replaced from 1.6 gpf to 1.28 gpf? Mr. Robbins indicated no, the 1.6 gpf is sufficient.

Member Dull asked Tom Zeleny, Deputy City Attorney, if Senate Bill (SB) 407 states “Any city or county that has adopted an ordinance requiring retrofit of noncompliant plumbing fixtures prior to July 1, 2009, shall be exempt from the requirements of this article so long as the ordinance remains in effect”, if the ordinance is changed, is it still in effect, or does this now say the ordinance is no longer in effect and SB 407 needs to be complied with. Mr. Zeleny indicated he will look into this.

Member Dull commented in regard to Page 5, before the Recommendations, it states that one of the best ways to achieve the SBx7-7 target is to require toilets using 1.28 or 1.6 gpf or less rather than the current allowable standard within the City of San Diego of 3.4 gpf. In his opinion this is a strong statement, due to some having to flush the lower gpf toilets several times per interval, thus would not be the best choice. Mr. Robbins indicated that there will be these instances; however some toilets do work better than others.

Member Peugh asked how the Department will enforce this. Mr. Robbins indicated that Water Conservation Certificates will be required to be filed upon sale of property.

Vice Chairman Billings commented that a good way to get conservation is to adjust pricing by lowering tier 1. He asked what the consequences are if the Municipal Code is not changed to conform. Mr. Robbins deferred to Mr. Zeleny. Mr. Zeleny indicated nothing will need to be done, which is one of the options. Vice Chairman Billings asked about multi-unit rental properties when they change hands. Mr. Robbins indicated it is no different from any other property.

ACTION: Member Peugh motioned to recommend modifying Municipal Code 147.04. Member Kubota seconded. Chairwoman Welch asked for discussion.

Vice Chairman Billings asked if State Legislators are requiring the City to pass an ordinance and if not there is no penalty? Mr. Zeleny indicated there is no ordinance to pass, nor a penalty. Vice Chairman Billings confirmed that this will affect multi-family properties as well. Mr. Robbins concurred.

Member Dull asked if the motion can wait until Mr. Zeleny confirms that modifying will cause us to lose our ordinance, going straight to SB 417. Mr. Zeleny will do some research to confirm. Vice Chairman Billings agreed with Member Dull.

ACTION: Member Hollingworth moved to amend Member Peugh’s motion, by making a motion to do nothing, and stay with the existing law. Motion failed.

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Chairwoman Welch asked for a second on the first motion made by Member Peugh. Motion failed 2-5.

10. 2012 Long-Range Water Resources Plan (LRWRP)

This item was heard out of order, following item 6. Marsi Steirer, Deputy Director, and lead staff members of the LRWRP, George Adrian and Steevani Bista presented. Ms. Steirer gave a brief history of the LRWRP document and the process, which she noted is the 3rd update since 1997. She indicated there were several stakeholders involved in the process including some IROC members, instrumental in helping develop the Plan.

She indicated many familiar documents were relied upon such as the Recycled Water Study, Demonstration Project, and the Annual Conservation Report. Mr. Adrian gave a summary of the 2012 LRWRP. He indicated the update of the 2002 plan was to reassess some of the planning objectives and strategies due to regulatory requirements, climate change impacts, energy use issues and other items affecting water reliability. He added this plan is to provide direction in the development and refinement of our water resources options leading to the creation of a CIP as required.

Mr. Adrian discussed the process of the development of the plan, and the 11 objectives to achieve a balanced plan. He also reviewed the New Water Supply Options, and in detail, a series of 8 portfolios. He indicated a scoring took place to rank the water portfolios, and also provided a separate evaluation for the portfolios and their ability to perform under climate change scenarios, with a balanced plan that met the diversity needs of the community. He elaborated in the ranking and point value, and described the portfolio results, as well as the water supply options in top portfolios, showing Hybrid 1, Hybrid 2, and Max-efficiency options.

Mr. Adrian described the near-term (2012-2020) and long term strategies (2020-2025), with the next steps being to implement Hybrid 1, and implementing Hybrid 2 if warranted. Next, reassess “triggers” every 5 years, updating the LRWRP in 10 years. He concluded by adding that adopting the LRWRP will provide a flexible roadmap in why if changing water supply conditions resulting from climate change and/or other reliability challenges. He asked for IROC’s support of the Plan, and noted that both the near and long-term options will reduce the City’s reliance on imported water and potential shortages, as well as help the City achieve a balanced plan in meeting the 11 planning objectives.

Vice Chairman Billings referred to the provided Table 5-3 chart and asked if the unit costs are estimated costs to the Department and to the rate payers?. Ms. Steirer indicated these costs are for the Department, and if they are associated with customers, they are not included. The methodology included the cost of the project as well as the cost of water/wastewater treatment, and operation and maintenance costs associated with it.

Member Hollingworth asked what the incremental impact on rates would be over the next 10 years, with the recommended options. Director Bailey indicated this information has not yet gone through a cost of service study, so this is not determined at this time.

Member Hollingworth indicated he would support this in concept, subject to seeing a

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more detailed cost analysis of what it would cost to implement, to determine there is a feasible option or not. Ms. Steirer indicated this is a high level planning document with several steps, and the information you are requested will be determined many steps from what the contents are from this planning document.

Member Peugh added, in regard to slide 3, education and conservation are just as important as infrastructure and believes the anticipated percentage shown for this could be higher. He also indicated in relation to Figure 12, the planning should be done ahead of time, rather than wait until 2020 to re-evaluate and plan for the second stage. Ms. Steirer concurred and staff will modify the slides and presentation to Council to reflect this.

Chairwoman Welch asked why rainwater harvesting was selected, since the unit cost is so high. Ms. Steirer recalls there was great interest due to the ability for customers to participate, as well as the double benefit of reducing the utilization of water for landscape/irrigation and stormwater purposes. But she can look into this in more depth, and provide a response. Mr. Adrian elaborated.

ACTION: Chairwoman Welch asked for a motion to accept the Report. Member Peugh moved to accept the report and the City move forward with implementation. Member Stallard-Rodriguez seconded. Motion passed 8-0.

11. Pt. Loma Wastewater Treatment Plant (PLWTP) Permit:

Scott Tulloch, representing the Metro JPA (JPA), presented. Mr. Tulloch briefly described the JPA which makes up 35% of the flow in the system. The challenges currently being addressed are a need for a new local, diversified water supply, which they believe should be tied to avoiding going to secondary at Pt. Loma. The costs for secondary are \$3.5 billion with operating costs of \$44 million per year. He indicated that JPA thoughts are that the City should be looking at potable reuse as a long-range program opposed to individual projects. And this program should offload Pt. Loma sufficiently so it is down to a much smaller plant, allowing it to stay as an advanced primary plant and not have to make that investment for secondary.

He described the San Diego Metropolitan Wastewater system and treatment levels, and provided a detailed background of the PLWTP Permit. He indicated the current Permit expires on July 31, 2015, which is not a lot of time. The application must be submitted by January, 2015, and it takes staff approximately 1 year to complete the application.

Mr. Tulloch noted the San Diego Recycled Water Study has alternatives, if implemented will divert almost 100 mgd away from Pt. Loma. The resulting amount of solids discharged is virtually identical to what it would be as a secondary plant at 240 mgd. He indicated that the Water Reuse Demonstration Project was very helpful, showing the ability to re-purify wastewater at operational flow rates, and the quality of the water produced is similar to distilled water.

Last, he reiterated that they recommend rather than looking at Indirect Potable Reuse as one project at a time, they encourage the City to consider a long-range program over 20-

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30 years to use the potable reuse as a means to offload Pt. Loma, looking at legislation that would allow that much smaller plant to never have to go to secondary. The rate impacts would be substantial, making potable reuse water much more attractive from a cost perspective.

Vice Chairman Billings asked if the legislation would have to be at the Federal level. Mr. Tulloch indicated yes, and explained the process. Vice Chairman Billings asked what the cost is to go to 84 mgd, relative to the cost that is being avoided. Mr. Tulloch responded if you look at the Recycled Water Study, the assumption to be able to compare the cost for water per acre foot, would be to offload approximately 100 mgd, and the most at Pt. Loma would be 140 mgd at secondary. He added that in the Report, a third tier is shown, of what the impact would be if the Pt. Loma Plant never gone to secondary. This has a very substantial impact on the cost per acre foot.

Ex-officio Member Natividad asked if the City of San Diego is the only city requesting the Waiver, and do all other cities already have secondary. Mr. Tulloch indicated that he is not aware of any other major discharger that has a Waiver, other than Hawaii (with Consent Decree). He added that the actual implementation of this is to protect the environment, so the regulators are asking for whatever level of treatment is required to protect the environment. Cities have various requirements to meet this request. He noted that in our case, it is believed that going secondary is not necessary to protect the environment.

Member Peugh asked how different this proposal is different from the Long Range Water Resources Plan just heard. Mr. Tulloch stated it is different in that it should all be looked at now, rather than in stages, and in return get the legislation that says, as long as a certain cap is not gone over, secondary is not necessary with what is remaining at Pt. Loma. He indicated that he believes that with this level the environment would not be harmed. His concern is as the IPR Plan is implemented, there is certainty on one side, but also needs the Federal Legislation on the other side.

Mr. Zeleny added there are three ways to approach this, one being to go for Permits and implement in 5-year pieces; second would be a Federal legislative approach; and third would be a Consent Decree approach. All have pros and cons and would need to be evaluated.

12. Recycled Water Pricing Study

Chairwoman Welch asked Member Hollingworth to summarize what was decided in the Finance Subcommittee meeting this morning.

Member Hollingworth indicated the Department will amend the Recycled Water Pricing Study (Study) as well as consult with various stakeholders on any concerns. He added ultimately, the overall resolution was that there will continue to be some form of subsidy, but gradually phased out over a to-be-determined period of time.

Lee Ann Jones-Santos gave an overview of what has occurred regarding the Recycled Water Pricing Study. She indicated they presented the report to the Natural Resources &

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Culture Committee on July 10 and the committee requested that they return to IROC for additional review. Prior to the July 10th NR&C meeting the Department presented this item to IROC where public comment was made by the Otay Water District and others. Since the June IROC meeting an addendum was added to the Study that included a zone rate. The zone rate used the costs developed for the unitary rate and broke the costs down by service facility. This information was provided to IROC and will be shared with other stakeholders. Additional outreach will be performed.

She reiterated the recommendation from the Finance Subcommittee and also a request to update the Pricing Study and continue outreach with the various stakeholders.

Ms. Kristen Crane, City of Poway, commented. She indicated that the City of Poway is one of the participating agencies in the Metro JPA. She was able to share concerns at the Finance Subcommittee today, and had submitted a letter to the NR&C. She gave a brief summary of Poway's purchase of water from the City of San Diego. She shared that they believe there are some important policy considerations as part of the recycled water conversation. Also important as part of the rate structure, she indicated, they would like to see the analysis of a wholesale rate for the 3 wholesale agencies that purchase wholesale water. She added they are also interested in getting a better sense within the study, where the dividing line of cost was between water and wastewater. Last, Metro TAC nor the Metro JPA have reviewed the Study and are appreciative of the Finance Subcommittee's recommendation to revisit the Study and have more stakeholder participation, also taking a look at what a wholesale rate would be.

Rita Bell, Otay Water District, commented that a letter was submitted from Otay Water District, to the IROC as well an attachment of a letter to NR&C on July 10, 2012 asking that this item be deferred until it is further studied and stakeholders have more time to review and give input. She also distributed a copy of a presentation she presented at the earlier Finance Subcommittee. She also handed out a document from 2009 documenting questions by the Metro TAC and City staff responses. She pointed out that a lot of the responses were not adequately addressed and that Metro TAC was not satisfied at that time and added Otay was promised that when the Study came back, there would be proper time to vet. Ms. Bell indicated various other groups are also against this moving forward without giving time to review and comment. She commended the Finance Subcommittee for understanding that increasing the rate either 180% in Option 1, or 300% for zone 2 in Option 2, would have a dramatic impact on the consumption. She indicated that recycled water is important, especially for agencies and individuals who have invested in it.

ACTION: Chairwoman Welch asked for a motion to support the Finance Subcommittee's recommendation to validate the recycled water pricing study; meet and discuss with stakeholders; conduct additional outreach; and look at the following: evaluate the ability to ramp up the rate increase, evaluate a wholesale rate, and review the rate alternatives and impact to North and South customers. Member Hollingworth moved and Vice Chairman Billings seconded. Motion passed 8-0.

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Member Peugh commented it bothers him that this antiquated rate is still going on for recycled water, which means regular rate payers have to subsidize to this extent. He stated this is a serious problem. He then commented that at some point when IPR and DPR are at large scales, this water may be more valuable and there will be competition for the water now being used for Purple Pipe water. He asked how this will be worked out in the long run. Ms. Jones-Santos indicated this will have to be evaluated.

Member Peugh asked if tertiary is charged to Purple Pipe customers or to the regular rate payers. Ms. Jones-Santos indicated the goal of the Study moving forward is to charge tertiary to the recycled pricing customers.

13. **Should IROC and its Subcommittees go dark in August?**

ACTION: Chairwoman Welch indicated all Subcommittees have agreed to go dark in the month of August. She asked for a motion for the full IROC meeting to go dark in August as well. Member Hollingworth moved to go dark in August. Member Dull seconded. Motion passed 8-0.

14. **Response to NR&C comments on IROC FY14 Work-Plan**

Chairwoman Welch thanked Member Dull for drafting the letter to NR&C, and verified all members had reviewed it, members confirmed.

ACTION: Chairwoman Welch asked for a motion to approve the letter to the NR&C. Member Stallard-Rodriguez moved to approve, Member Webster seconded. Motion passed 8-0.

15. **City 10 – County Water Authority Update**

None.

16. **Subcommittee Reports**

a. Finance – Andy Hollingworth, Chair

- Discussed the Recycled Water Pricing Study

b. Infrastructure and Operations

- Discussed the City's radar list for the Capital Improvement Projects
- Presentation on Group Job 767 at Meade Avenue
- Discussed the IROC Annual Report
- Discussion on Operations portion of the Department, understanding the Optimization Study will be helpful

c. Outreach and Communications

- Met the new Customer Service Advocate, David Akin who will assist with resolving customer service issues with customers.
- Discussed the Department's employee recognition program. They would like to learn more about this, so Department employees can be recognized or awarded for outstanding service now that Bid-to-Goal is no longer available.

17. **Metro/PA – Report Out**

None.

Independent Rates Oversight Committee (IROC)

July 17, 2013

MINUTES

18. Proposed Agenda Items for next IROC meeting

- Update on the Wastewater Cost of Service Study Modification (J. Peugh)

Chairwoman Welch asked Members to email her with any other items by July 22.

19. IROC Members' Comments

This item was heard out of order, following Item 15.

- Member Stallard-Rodriguez presented certificates of award to recognize Ben Griffin, Mark Wilcox, and Tony Leyva, for outstanding customer service to the City. She indicated it was a pleasure to work with them while attending a recent ride-a-long, and witnessing the great customer service they gave while interfacing with residents. She added they are very enthusiastic about their jobs.
- Chairwoman Welch commented about the members that have left recently, or will be leaving. She indicated the Mayor has proposed 6 new members of IROC, and until confirmed, and heard by City Council, she appreciates the rest of the IROC members stay together to help get through the meetings, and continue to bring valuable information and expertise and knowledge to the table each month.
- Member Stallard-Rodriguez thanked the Department for helping eliminate the trucks in San Carlos. She indicated it was a very speedy process and much appreciated by the community.
- Member Kubota indicated he would like to have updates on the Waiver as things progress.
- Member Webster indicated he will be traveling in September and October. He indicated this is his final member, and thanked IROC colleagues for making this a knowledgeable and rewarding 6 years. He also thanked the Public Utilities Department for openness and willing to discuss and debate issues, and will keep abreast of the Department.

Meeting adjourned at 12:34

Minutes submitted by: Monica Foster