



**Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018**

1. Roll Call

Chair Mittal called to order the full IROC meeting at 9:36 a.m. Valda Leitch conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Tiffany Mittal, Chair	X	
Jeff Justus, Vice Chair	X	
Christopher Dull		X
Gordon Hess		X
Jack Kubota	X	
David Akin	X	
Luis Osuna	X	
Jim Peugh		X
Linh Quach		X
Robert Weichelt	X	

Ex-Officio Members:

Jerry Jones, Metro JPA		X
Jim Peasley, Metro JPA Alt.	X	
Lois Fong-Sakai, City 10	X	

City representatives present at dais: Vic Bianes, Director of Public Utilities; Ray Palmucci, Chief Deputy City Attorney; John Helminski, Assistant Director; Cathleen Pieroni, Program Manager.

2. Non-Agenda Public Comment

None.

3. Approval of Draft Minutes from Meeting of July 10, 2018

ACTION: Chair Mittal asked for a motion to approve. Motion by Member Akin to approve the Minutes of July 10, 2017 as submitted. Second by Member Kubota. Motion passed unanimously 6 (in favor) – 0 (opposed) – 0 (abstain).

4. Chair Updates – Tiffany Mittal, Chair

- Chair Mittal met with Director Bianes August 8, 2018, regarding obtaining more details to help the committee with being able to contribute more.
- Recommended to share materials that were going to be brought to subcommittees and full IROC to be able to be better prepared for full IROC meetings.
- Chair Mittal will send out schedule of remaining months this calendar year to coordinate subcommittee meetings.

5. City Staff Updates – Vic Bianes, Director

- Information ahead of time to IROC so that they are all aware.
- IROC Coordinator Beth Murray recognized and commended IROC Secretary Monica Foster, presenting her with an appreciation certificate and a memo for 3 days discretionary leave in recognition for her years of dedication and support to IROC and its subcommittees; she was instrumental in assisting the Department and IROC members with a myriad of duties since its inception in FY2008. Ms. Foster has recently taken on a new assignment, transferring to the Safety Section of the Department. Member Kubota spoke on behalf of the IROC members thanking Ms. Foster for all that she has done to ensure the success of IROC and its subcommittees over the years and provided Ms. Foster with a gift of appreciation. Director Bianes introduced Yvonne Blantz replacing Ms. Foster in the role of IROC Secretary.
- Pure Water is on their fourth round of meetings with the community regarding soliciting their feedback on opportunities to mitigate construction going through the community.

Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018

- Ms. Cathy Pieroni sent out email regarding County Water Authority MWWA tours, Director Bianes encourages participation, to learn how we receive our water from the Colorado River and Bay Delta.

6. **Presentation: Meter to Cash Operational Assessment** – *Sam Uyeno, West Monroe Partners*

- West Monroe Partners was commissioned to assess San Diego Public Utilities Department's (Public Utilities) meter-to-cash operations and examine the cause(s) of high bills.
- Public Utilities faces multiple operational problems which contribute to inaccurate/high bills.
- Since Public Utilities bills contain limited usage information some customers, who had unknowingly returned to pre-drought consumption levels, thought they were being overcharged.
- Most high bill concerns have been successfully resolved through investigation methods and most customers demonstrate consumption consistent with their pre-drought consumption. The remaining high bill concerns cannot be resolved based on the limited data provided by bimonthly manual meter reading; operation and high bill issues at Public Utilities are consistent with other water utilities.
- In nearly 75% of customer cases investigated, the high bill in question was consistent with customer's prior water consumption history. The majority of San Diego regional water suppliers report that residential customers have surpassed pre-drought consumption levels. Customers are returning to their pre-drought consumption levels following the end of the conservation mandates and the end of a La Nina episode.
- Public Utilities' customer bills can be misleading, as customers cannot compare current consumption to pre-drought consumption. Without repetitive messaging from PUD, many customers were not aware of an extended bill period and increased rates, leading them to believe they were being overcharged. Many of the high bill customer complaints were for billing periods during a historically dry period following La Nina.
- Meter reading quality controls, particularly in handheld reading devices, are insufficient to properly identify misreads or falsified reads at the onset. Insufficient meter reading quality controls, particularly in handheld reading device, allowed an individual meter reader to falsify reads.
- Implementing AMI will provide customers and Public Utilities greater visibility to water use, and help proactively identify and address abnormal water usage.
- West Monroe recommends operational improvements to mitigate future high bill concerns and restore customer confidence.
 - Improve internal operations, enhance meter reading controls, accelerate AMI development, revise bill presentment, enhance conservation messaging, become a data driven utility, be a customer centric utility and be a great place to work.
- Member Akin commented on staff morale and questioned Mr. Uyeno on how the Customer Support Services compared to other groups that West Monroe has studied. Mr. Uyeno responded that the Public Utilities call center is like other water utilities. There are good practices to borrow from other industries and Mr. Uyeno says many of those will probably not come from the water industry.
- Member Osuna asked if there was any plan to audit thresholds to minimize any false readings. Mr. Uyeno stated that PUD could use statistical analysis around how different segments of customers deviate from their normal use over the course of a year, finding that there's a certain threshold where they all stay below, you want to find that point because anything outside of that would be statistically abnormal and that is what you would want to flag. When the band is lowered it should be lowered in steps in a controlled manner. If you have statistical outliers that are within the band you are going to trigger a lot of work for the department that are not necessary. Director Bianes added that PUD is going to be considering the thresholds and would be working to identify what the band should be.
- Member Kubota stated that an AMI program when fully integrated into the system in his opinion would eliminate the issues the Department is having. Member Kubota asked Mr. Uyeno if he had experience being involved with enterprises like Public Utilities, with about 250,000 accounts. Mr. Uyeno responded that he had worked with similar groups, and stated that Public Utilities is one of the largest water distribution agencies in the US.
- Mr. Uyeno commented that he wanted to caution that although they are recommending accelerating the AMI program, that other recommendation should be combined to proactively prevent high bills and restore customer confidence. Not one single recommendation is going to

Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018

solve the problem. AMI should be tried and tested, and should be properly integrated. The staff is going to have to be trained and know how to operate the program and interpret the information that comes from it.

- Chair Mittal asked about the 7,300 back log of unworked meters in report. Mr. Uyeno replied that in May 2018 there were 7,300 registered service work orders to replace meters, and that 335 meters remain as of July 2018 and stated how fast Public Utilities has worked to fix this problem. Mr. Uyeno commented that the high number could also be redundant service orders that have been open on the same meter.

7. Presentation: City Auditor on the Performance Audit of PUD Water Billing Operations – Shawnee Pickney, Principal Performance Auditor and Stephen Gomez, Principal IT Auditor.

- Audit objectives;
 - Assess whether Public Utilities has internal controls that detect errors in the billing system.
 - Evaluate how the meter reading and meter install processes impact customer billing.
 - Evaluate if Public Utilities response to the Citywide billing issue was timely and appropriate.
- What contributed to Higher Water Bills?
 - A one-time billing cycle extension; a water rate increase; unidentified leaks in homes and irrigation systems; warmer winter months; and human error.
- How often are meter reads inaccurate?
 - 1,321,813 total water bills issued; 57,117 total reading flagged for review; 18,728 total reading corrected prior to billing; 2,750 total corrected post-billing (rebilled).
- What factors potentially cause inaccurate meter readings?
 - In-person readings generated most implausible reviews in CY 2017
 - Human error not isolated to a single meter reader.
 - Errors should be reduced to a minimum.
 - Consecutive estimated meter reads.
 - Meter readers received conflicting instructions regarding the use of the trouble codes.
 - Supervisor review form does not include information for assessing trouble code entry
 - The meter shop is encountering unanticipated obstacles with transition to the new citywide I AM work order system.
- Did customers pay more due to the extended billing cycle?
 - There were extra days in the billing cycle which made the customers average water use higher.
 - The billing cycle is typically 60 days and was extended to 70.
- Did Public Utilities methods of communication exacerbate Public discontent with the increase water bills?
 - Public Utilities did not communicate anticipated bill-impacting charges with customers in advance.
- City Auditor's Office is scheduled to complete an audit of Public Utilities customer service operations as part of their 2019 fiscal year audit work plan.
- A summary of recommendations was provided.
- Vice Chair Justus asked if the City Auditor's looked at a correlation between meter reading errors of hourly versus full time meter reading staff and secondly, was there a correlation between the amount of experience between the meter reader and the number of errors. Mr. Gomez responded with they did not run that specific analysis however, they did look to identify which meter readers read the most for that year.
- Vice Chair Justus stated that there may be a combination of technology problems and lack of staff to get the meters changed in a timely manner, stating that it has been a problem in the meter shop going back 15 years because they don't have enough people. He also added that he hoped that the group would push the Department to make sure that the meter shop going forward has adequate staff and whatever technological problem they have also gets resolved.
- Chair Mittal questioned how long Public Utilities knew about the extended bill cycle to be able to notify customers. Chair Mittal asked if it was planned throughout the year or is it something that came up within the last few months of the year. Ms. Jones-Santos responded that unfortunately management was not made aware of the billing cycle change. Chair Mittal also

Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018

asked if there is there was a protocol that the Department has when those kinds of changes occur to get management involved. Ms. Jones-Santos stated that there is a process which includes the Mayor and other stakeholders. Director Bienes added that they will not be doing any extended billings from this point forward.

- Member Kabota commented on the AMI program. The Department should consider bringing in a contractor, it would be a one-shot group they would integrate all the assets of the agency. I am personally in agreement with the agency's decision to go ahead with AMI.
- Member Justus, asked if the same meter reader goes out on the same route or do they change based on assignment. Ms. Pickney said the same meter reader has the same route. Mr. Gomez mentioned the current model is to have the same meter reader on the same route and one of the issues with that is they have no metrics to identify how long a route should take. Ms. Pickney stated that they are recommending that the Department assess meter route assignments.
- Chair Mittal asked if the audit looked at how other utilities benchmark their processes and practices regarding meter reading route and performance. Ms. Pickney referenced the Ascent Group which has done benchmarking on other cities and in the utilities industry.
- Mr. Gomez stated every region is going to have different terrain and different geographic limitations. Other regions may not have as many canyons or hills and even within the City of San Diego there are a lot of variants.
- Chair Mittal, in the report there is a lot of disagreement on performance metrics routes and number of items regarding meter reading; what did you find is the biggest reason for this disagreement? Ms. Pickney stated that it was an organizational culture issue, where supervisors and management were not seeing eye-to-eye and in some respects. Not having a lot of the policies and procedures written and institutionalized could have also contributed to the problem.
- Chair Mittal asked if they saw anything in their findings that would explain the increase of bill amount during the earlier part of calendar year 2017. Mr. Gomez believed most of the spikes were due to weather.
- Ex-Officio Fong-Sakai, inquired whether the City of San Diego was using GPS for the difficult to reach meters. Ms. Pickney said that regarding the location of the meters what should occur, is that when a meter is not located the meter reader should inform the supervisor, and the supervisor should go out and locate that meter and then input the location in SAP. Director Bienes stated staff is utilizing GPS to locate the meter locations. Regarding the handheld devices, they do have instructions on where the meters are located and specify a walking route. The Department is exploring how best to assess routes.
- Ex-Officio Fong-Sakai commented that many water customers have not been receiving water bills and would like to know if they have they been notified and what the resolution is for these customers. Mr. Gomez stated they did note this in their analysis. He said that the accounts may be locked for review and believe Public Utilities is reaching out to their customers.
- Deputy Chief Operating Officer Johnnie Perkins stated over the last 3 to 6 months Public Utilities has not been billing some customers correctly. The reason for this discrepancy happened during installation of the meter. The meter serial number must be entered into the billing information on the tablet during integration of the data; there were issues with the transference of the information into the Billing System.
- He stated that PUD has identified the impacted customers and is sending out letters. There is a process going forward and no customer will have their water will be shut off. No one will have to pay the previous bill upfront and PUD will offer a payment plan
- Member Kubota asked that in terms of those meters, do you have some estimate of the volume of dollars that were involved, and were they commercial customers, or industrial customers? Mr. Perkins believed they were primary residential but stated, between now and the time he provides his later remarks, he will have the answer.
- Chair Mittal questioned, of the 57,000 that were flagged and not adjusted, were those just assumed to be correct even though they were flagged, and were those considered to be single family? Mr. Gomez said that the population was single family residential.
- Additional question from Chair Mittal: regarding handheld devices and the trouble codes; how are they able to keep working if they must have a supervisor come out, is it only for that meter read that they are locked out or the whole device? Ms. Pickney stated it was just for that read.
- Member Akin mentioned that at one time the Field Unit and the Office Unit of Customer Support were in the same building. Would one of your recommendations be to consider having those two groups in the same location again at some point? Chair Mittal commented that this issue

Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018

was brought up from West Monroe. They had mentioned that other utilities companies have Field Services roll up to the Customer Service Department. When did that change for Public Utilities? Director Bianes said he would have to get back to determine when the change occurred.

- Chair Mittal mentioned the recently implemented I AM San Diego and asked for an explanation of the work order process. Ms. Pickney stated that overall the new system requires a manual review of some of the service devices that are coming in and to generate a work order. That work order must be manually assigned before the staff can go out and resolve it and that used to be a smoother process prior to I AM.

8. PUD Management Responses to Audit – Vic Bianes, Director, Johnny Perkins, DCOO, Lee Ann Jones-Santos, Assistant Director

- Mr. Perkins stated that most people who have not received a bill are residential with a scattering handful of commercial. We will continue to do a deep dive review of every aspect of the Public Utilities Department operations. As it was mentioned recently we have not billed multiple ratepayers within the past 3 to 6 months and we announced this last Thursday. This was due in part from data not being communicated to the Billing System and meter installers were unfamiliar with the tablet, and we are redefining the training process procedures. We are sending out letters and emails for those we haven't and we're making phone calls to those ratepayers whose phone numbers we do have. We are going to do a complete overhaul of our meter routing system right now, it's unacceptable not to understand how many meters a meter reader should read. We will have operating policies and evaluations not just for the meter readers but for supervisors and management.
- Member Akin commented that he encourages the Department to work on their interpersonal relationships so that the staff trust each other.
- Chair Mittal mentioned there was a dashboard created with all the action items and would like to make sure by the next meeting we have the action items on the agenda so they can start to monitor the progress of each of the auditor's recommendations.
Mr. Perkins responded that they have combined the City Auditor's recommendations and the findings from the West Monroe report onto this dashboard. The way we have established this is a 30-day timeline for each month, we have a certain set of deliverables through the end of the year. We would like to come back at the next meeting in September and report our accomplishments for August as well as our expectations for moving.

9. City 10 – County Water Authority (CWA) Update – Lois Fong-Sakai, Ex-Officio, City 10 Representative

- The San Diego County Water Authority is currently accepting nomination and applications for the Fall 2018 Citizens Water Academy class, deadline for nomination is September 14, and all applications are due by September 20. The Academy is a free three-session crash course about the history, use and management of water in the County of San Diego.
- During the last 2 months, the Water Authority has been trying to adopt a position statement on the California Water Fix Project and Updated Bay-Delta Policy Principles. At the August 9 Board meeting, the following policy and position statement was adopted unanimously:
- The Water Authority Board of Directors supports the WaterFix project, as currently proposed, conditioned upon the Metropolitan Water District properly allocating the costs of the project as conservation, or supply charges, as similar facilities historically have been defined in MWD's SWP contract with DWR.
 - As reflected in Table 2 of SWR's Appendix B to Bulletin 132-17, Data and Computation Used to Determine Water Charges, and for which costs are recovered in Article 22 (a) of Delta Water Charge of the current MWD SWP Contract; allow for the exemption of north-of-Delta SWP contractors.
- Support establishment of an independent oversight function to monitor and provide regular updates on WaterFix project implementation progress, including expenditure tracking, construction progress, project participants' contributions and all other relevant activities and developments.
- Continue to support the co-equal goals of water supply reliability and environmental restoration embodied in the 2009 Delta bill package.
- Improve the ability of water-users to divert water from the Delta during wet periods, when impacts on fish and ecosystem are lower and water quality is higher.

Independent Rates Oversight Committee (IROC)
Meeting of August 20, 2018

- Encourage the development of a statewide water transfer market that will improve water management.
- Allow access to all SWP facilities, including WaterFix facilities, to facilitate water transfers.
- Support improved coordination of Central Valley Project and State Water Project (SWP) operations.
- Support continued state ownership and operation of the SWP, including WaterFix facilities, as a public resource.

10. Subcommittee Reports

- a. **Finance** – *David Akin, Subcommittee Chair*
 - Review of Funds Assumptions by Lee Ann Jones-Santos, Assistant Director
- b. **Infrastructure & Operations** – *Jim Peugh, Subcommittee Chair*
 - None
- c. **Outreach & Communications** – *Linh Quach, Subcommittee Chair*
 - Chair Mittal commented that per Member Quach, they received updates from Human Resources with the metrics update for their Wellness program. It was implemented in 2015 and was designed to enhance the quality of life for Public Utilities employees and their families.

11. Metro/JPA – Report Out – *Jim Peasley, Metro JPA, Ex-Officio Alternate*

- Mr. Peasley commented that the current Wastewater disposal agreement does not address the Pure Water Program itself and how the program allocates cost on the Wastewater side. They have been working with the City for over a year trying to address this issue working towards an amended, restated regional disposal agreement. Hopefully they will reach an understanding when the City goes forward to City Council on October 2, 2018, for that program.

12. Proposed Agenda Items for Upcoming IROC Meetings – *Beth Murray, IROC Coordinator and Tiffany Mittal, Chair*

- Capital Improvements year end accomplishments
- Pure Water update with a review of the construction packages
- Recommend that each subcommittee do a deep dive into Pure Water.

14. IROC Members' Comments – IROC Members

None.

15. Meeting adjourned: 12:05 p.m.

Minutes submitted by: Yvonne Blantz