

**MINUTES OF A REGULAR MEETING OF  
THE TORRANCE WATER COMMISSION**

**1. CALL TO ORDER**

The Torrance Water Commission convened in a regular session at 7:03 p.m. on Tuesday, December 15, 2015 in the West Annex Meeting Room at Torrance City Hall.

**2. ROLL CALL:**

Present: Commissioners Chim-Lieu, Craft, Marshall,  
McGee, Nishinaga, See, and Chairperson  
Kawai.

Absent: None.

Also Present: Senior Administrative Analyst Schaich,  
Water Operations Superintendent Berndt, and  
Metropolitan Water District Director Lefevre.

**3. FLAG SALUTE**

Commissioner See led the Pledge of Allegiance.

**4. AFFIDAVIT OF POSTING**

**MOTION:** Commissioner Nishinaga moved to accept and file the report of the City Clerk on the posting of the agenda for this meeting. Commissioner McGee seconded the motion; a roll call vote reflected unanimous approval.

**5. APPROVAL OF MINUTES**

**5A. MINUTES OF NOVEMBER 19, 2015**

Commissioner McGee noted the following correction: Page 4, 7.A: "Commissioner McGee inquired about ExxonMobil and Senior Administrative Analyst Schaich stated..."

**MOTION:** Commissioner See moved to approve the November 19, 2015 Water Commission meeting minutes as amended. Commissioner Marshall seconded the motion; a roll call vote reflected unanimous approval.

**6. ORAL COMMUNICATIONS FROM PUBLIC – None.**

**7. OLD BUSINESS**

**7A. CONSIDERATION OF PRELIMINARY FINDINGS RE: COMPREHENSIVE WATER RATE STUDY**

Senior Administrative Analyst Schaich introduced the item, continued from the October 28, 2015 Commission meeting, and welcomed Sudhir Pardiwala, Executive Vice President, Raftelis Financial Consultants. He noted that Commissioners would not be asked to take any action this evening, but to provide their input for development of a final recommended proposal. He stated that the next Commission meeting would be conducted as a public hearing and that the proposal would go before City Council in February 2016 for initial review to start the Proposition 218 process.

Mr. Pardiwala provided a PowerPoint presentation on the preliminary findings of the rate study, including the Cost of Service analysis, customer impacts and proposed rate structure, rate adjustments, and alternative rate schedules. He first discussed changes to the Water Financial Plan from his October 28 initial review. He stated that there is now a State Revolving Fund loan of \$20 million, starting in FY 2018, to fund some capital expenses and that the \$1.25 million debt service associated with that is included in the analysis. He noted that the City loan would be paid off at the end of FY 2017, reducing revenue requirements by \$450,000. He stated that the final major change is the increased inflation rate for purchased water from MWD from 5% per year to 7%.

In response to Commissioner McGee's inquiry about the City loan, Senior Administrative Analyst Schaich explained that Torrance Municipal Water (TMW) took over the debt service payment on a \$6.5 million Certificate of Participation bond.

Senior Administrative Analyst Schaich explained to Commissioner Marshall that the 7% inflation rate would be for all five years and that increased local water supply was being taken into account. He stated that they are proposing to pay off the City loan with low interest funding from the State Revolving Fund or from reserves.

Mr. Pardiwala explained charts of Capital Financing Plan, Revenue Adjustments and Debt Coverage for FY 2016–2020, and Operating Financial Plan. He stated that revenue adjustments for FY 2016 and 2017 would be a 9.5% increase, followed by a 5.5% increase for FY 2018, 2019, and 2020. He noted that the cost of MWD water represents 2% in FY 2017 and 4% in each subsequent year. Referring to a chart of Water Fund balances, he noted that the targets were set to include 25% for O&M expenses, 100% of the 10 year Average Capital Improvement Program, emergency reserves of \$1 million, and 15% of rate revenue for rate stabilization. He discussed the importance of first building up reserves for emergency purposes.

He presented the current rate structure and proposed water rates. He stated that they used a Cost of Service methodology that follows AWWA Base-Extra Capacity method to allocate costs to customer classes that complies with Proposition 218 and the San Juan Capistrano decision. He explained that base costs are costs to serve water under average conditions, while extra capacity costs are costs to serve under peak conditions. He stated that rates are required to be proportionate to the cost of providing services and factors such as the cost of different sources of water, peaking, and conservation costs are being used to differentiate the rates of tiers. He explained how

the cost components to customer classes have been allocated and noted that the two components of customer costs are fixed charges for meter reading and billing/customer service.

Responding to Commissioner Nishinaga's inquiry, Mr. Pardiwala stated that education, conservation programs, and audits are examples of conservation costs, noting that they would be distributed to high volume users.

Mr. Pardiwala stated that, once the cost allocation parameters were established, they determined how much supply each customer class uses. He proposed consolidating from four tiers to three and to reduce monthly tier widths to encourage conservation: 0-7 hcf, 8-12 hcf, and 13+ hcf. He pointed out that single-family residential (SFR) average monthly use is 11.25 ccf. He explained the methodology used to allocate different water supply sources to the different customer classes. He noted that each customer account would be allocated the same amount of the lowest cost source of water and that SFR would receive the bulk of the low cost water.

Commissioner Craft inquired about consideration for seniors and was informed that the current program for the low-income senior and disabled customer class would retain the current \$0.40/hcf discount, adding that the funds are taken from other sources.

Mr. Pardiwala discussed proposed increases to monthly meter charges, noting that the current 11% charge is very low. He recommended that 13.5% of the total rate revenue now be collected from fixed charges, and incrementally increase to 15% by 2020. He showed a table of proposed monthly readiness-to-serve charges for different meter sizes and meter ratio, the hydraulic capacity of each meter. He showed a proposed monthly pumping service charge that applies to approximately 2,000 customers as well as a proposed private fire protection service charge that applies to 600 commercial customers. He described tables of Proposed Water Rates and SFR customer impacts. He stated that 56% of SFR usage falls in Tier 1, 24% in Tier 2, and 21% in Tier 3. He provided the percentage of bills--31% in Tier 1, 33% in Tier 2, and 36% in Tier--as well as usage, cost of water supply, and peaking costs in each tier. He noted that Tier 1 is mostly low cost water and that the delivery cost is the same for all customers regardless of usage. He reviewed proposed water rates for other customer classes and for recycled water.

He concluded his presentation with a review of SFR customer impacts, noting that low usage customers (5 hcf) would see a 12% reduction in their bills, and median usage (10 hcf) a 5% reduction in their bills. He pointed out that impacts for high and very high usage are relatively minor, even with increased meter charges, and that 64% of SFR will be paying less than they are paying now. He noted that the commercial class would see rates increase significantly because of higher usage and higher cost of water.

Guest Charles Deemer received clarification that any residence that has a separate meter is considered a SFR.

Commissioner Marshall stated that he was initially concerned about raising rates when customers have done such a good job conserving water; however, he is pleased that SFR would be rewarded for their conservation.

Commissioners received clarification that the cost of recycled water is still low and that City Council could elect to not increase the water rates in the final years.

**MOTION:** Commissioner Craft moved to concur with the findings and preliminary recommendations of the comprehensive Water Rate Study. Commissioner McGee seconded the motion; a roll call vote reflected unanimous approval.

**7B. STATUS RE: WATER CONSERVATION IN THE MUNICIPAL SERVICE AREA**

Senior Administrative Analyst Schaich provided an update on water conservation savings. He reported that TMW continues to realize significantly lower potable usage compared to its 20% reduction target, with 22.5% below the baseline period on a cumulative basis from June to November. He stated that in November total potable water use declined by approximately 18% compared to the 2013 baseline year. He cautioned the Commission that there might be late fall and winter months when the target is not achieved due to less discretionary use of water. He noted that the Governor has indicated that he will extend his Executive Order through October 2016.

When Commissioner Nishinaga questioned the actuality of the El Niño event might not occur, MWD Director Lefevre stated that MWD's hydrologist is certain that heavy rains are coming the end of December and through March. He added that, even if there is no snow, there would be increased water in the reservoirs.

**8. NEW BUSINESS**

**8A. CONSIDERATION REGARDING CONCEPTUAL SUPPORT FOR WEST BASIN MUNICIPAL WATER DISTRICT'S OCEAN DESALINATION FACILITY**

MWD Director Lefevre stated that he attended the official opening of the Carlsbad facility on December 14 and distributed badges to Commissioners.

Senior Administrative Analyst Schaich reminded Commissioners that at the November Commission meeting West Basin Municipal Water District (WBMWD) presented their proposal for development of an ocean desalination facility. He stated that WBMWD is currently in the Environmental Impact Report process and is attempting to have the facility constructed by 2024, with the preferred location to be in El Segundo. He recalled that the Commission requested that the item be brought back for consideration of a support recommendation.

MWD Director Lefevre noted that the facility would not affect Torrance as the water it would produce costs twice as much as MWD water. He discussed WBMWD's General Manager's proposal to make desalinated water a part of MWD's water supply source but pointed out that MWD is already planning to build an expensive recycled water facility in Carson. He noted that he personally endorses the development of an ocean desalination facility; however, he is more in favor of potable recycled water.

Commissioners offered comments that ocean desalination technology keeps improving and getting less expensive, it is a teaching tool, would not cost Torrance anything, is good to have more tools at our disposal, and ocean desalination could be used for a back-up water supply.

**MOTION:** Commissioner McGee moved for the Water Commission to take a position supporting the development of West Basin Municipal Water District's proposed Ocean Desalination Project. Commissioner Marshall seconded the motion; a roll call vote reflected unanimous approval.

**9. METROPOLITAN WATER DISTRICT DIRECTOR'S REPORT**

MWD Director Lefevre stated that he is attending the California River Water Users Association meeting in Las Vegas on December 16 and was provided talking points from MWD about the Colorado River. He stated that Colorado River rights were given in the 1920s when it was very wet. He noted that, while California has the largest share of the river at 4.4 million AF of allocated supplies, MWD supplies are limited to its basic apportionment of 550,000 AF of water annually and any water transfer programs it implements. He stated that Lake Mead has been decimated because the allocation is larger than how much water is coming down the River. He noted that MWD has been filling the Colorado River Aqueduct all year and shared information about programs with Palo Verde Irrigation District, interstate exchange with Southern Nevada Water Authority, and Central Arizona Project. He stated that these agreements help meet demand as well as sustaining Lake Mead levels and avoiding shortages in the Lower Basin.

He announced that MWD has added a Director and that Los Angeles now has five. He stated that he is on the Communications and Legislation Committee and that they vote on legislative priorities. He announced that Felicia Marcus, Chair of the State Water Resources Control Board, would be at the next MWD of Orange County dinner. He discussed the draft Integrated Water Resources Plan update and suggested having a representative give a presentation to the Commission about it.

In response to Commissioner Marshall's inquiry, MWD Director Lefevre stated that MWD owns 25% of Palo Verde Irrigation District.

Responding to Commissioner McGee's inquiry, MWD Director Lefevre stated that they cannot put Colorado River water into Diamond Valley Lake because of mussels.

**10. WEST BASIN WATER ASSOCIATION REPORT**

No report.

**11. MONTHLY DEPARTMENT REPORT**

Water Operations Superintendent Berndt distributed a Monthly Department Report for November 2015. He reported that production of potable water for the month was 1,362.9 AF, a decrease of approximately 15% compared to November 2014. He noted that total water production in 2015, including recycled water, was over 23% below last year. He stated that there were 10 main breaks in November and attributed the breaks to extremely cold water being introduced into the distribution system. He reported that the Desalter has been fully operational for the last six months and the drilling of supply wells has been completed in Delthorne Park and the City Yard. He noted that WRD has submitted bids for the Expansion Project, with construction expected to begin in early 2016 and be operational by mid 2017.

12. **ORALS**

12A. Commissioners and staff wished each other a happy holiday season.

13. **ADJOURNMENT**

**MOTION:** At 9:08 p.m., Commissioner Marshall moved to adjourn the meeting to Wednesday, January 27, 2016 at 7:00 p.m. in the West Annex Commission meeting room. Commissioner Nishinaga seconded the motion; a roll call vote reflected unanimous approval.

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Approved as amended January 27, 2016 s/ Rebecca Poirier, City Clerk
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