

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: July 13, 2011

Board Item: V-C-2

New Water Service Contract for Suncor Energy (USA) Inc., and Termination of Distributors Contract No. 217

Action by Consent

Action

Information

The Board provides water to Suncor Energy (USA) Inc., (Suncor) for its refinery operations located on Brighton Boulevard in Adams County near the Board's Recycled Water Facility (see the attached map). Service has been provided to the refinery at this location since 1969 under Distributor Contract No. 217. The existing contract was designed for water service to districts providing domestic water service to large numbers of individually owned properties and does not adequately meet the service needs of a single large industrial customer such as Suncor.

Suncor acquired the refinery in 2003 and wishes to expand its operations on this and neighboring properties it now owns or plans to acquire. Suncor's operations require greater flexibility in using water in complex industrial processes over a large geographic area, including use of water to meet evolving regulatory requirements beyond those normally faced by Denver Water customers. In addition, Suncor's operations require very large fire flows, and can include commingling water from other sources. However, the existing distributor contract restricts where Suncor can use the water from the Board to its existing service area and prohibits commingling of water. Some of Suncor's properties are in South Adams County Water and Sanitation District, Distributor Contract No. 184.

It is appropriate to redefine the relationship between the Board and Suncor. After several years of discussions the parties have reached an agreement which will change Suncor from a "Distributor" to a "Fixed Amount" contract holder. The major terms of the proposed contract include:

1. Suncor's Contract Service Area will be redefined to match its entire property ownership, thus removing limitations on where water service can be provided on its property. Additions to Suncor's service area will be automatically included in the area where water can be used.
2. Suncor may expand its operations outside the Combined Service Area but must take delivery of recycled water sufficient to match the water demand of such expanded area.
3. Suncor will be required to pay System Development Charges for consumption in excess of 2400 acre feet per calendar year, up to a maximum of 5000 acre feet.
4. Suncor will exclude its property from the South Adams County Water and Sanitation District.
5. Suncor will construct new facilities and move its existing water meter to allow complete looping of its water facilities for enhanced reliability and fire protection.
6. Suncor will not be part of Denver Water's integrated system under water quality regulations, but will be a private system responsible for its own water quality compliance.

Recommendation:

It is recommended that the Board approve the proposed contract, subject to its approval by the South Adams County Water and Sanitation District Board, which meets later today.

Respectfully submitted,

Approvals:



Melissa Elliott
Interim Director of Public Affairs



James S. Lochhead
CEO/Manager



Dave Little
Director of Planning



Patricia Wells
General Counsel