

DENVER BOARD OF WATER COMMISSIONERS

MEETING DATE: JULY 13, 2011

Board Item: VI-A-1

**AMENDMENT TO OPERATING RULE 2.05.4
STUB-IN BAILOUT**

Action by Consent

Action

Information

On February 11, 2009, in response to the deteriorating economic situation, the Board approved Operating Rule 2.05.4, Stub-In Bailout, in order to give builders more time to complete the water service licensing process.

Often, when builders are anticipating development, they will purchase a stub-in permit. The permit allows for the partial installation of a new water service so that streets can be paved and other construction work can begin. The stub-in permit does not include a commitment of water service by the Board. Builders must still pay the full System Development Charge (SDC) for the property at the time that they license it. The cost of a stub-in permit is \$1,500 for most taps. This is based what it costs to reimburse the Board for disconnection costs if the stub-in is not converted into a full water-service license and service activated at the property. If the conversion and activation procedures are followed, the cost of the stub-in permit is credited to the SDC.

Conversion of a stub-in permit to a regular water-supply license is required within 2 years or the stub-in deposit is forfeited. Stub-ins that are not activated in a timely manner pose a potential water quality problem, are often difficult to find by subsequent users or incorrectly located as development plans change over time.

The builder can extend a stub-in permit another two years by full payment of SDC. In 2009, this was financially difficult for many builders under the rapidly changing market conditions. Rather than requiring builders to pay the full SDC, the Board opted to provide additional time for builders to adjust to the market. Many builders caught in this situation requested refunds rather than push forward with development.

Under the amendment approved by the Board, stub-ins applied for between January 1, 2004 and December 31, 2008 were given an extension until December 31, 2011 to convert the license and thus begin the final activation period without forfeiting the stub-in deposit. The Board did not change the stub-in activation period for taps outside the date range 2004 to 2008.

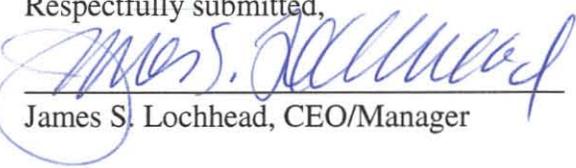
At the present time, approximately 1,000 stub-ins eligible for the bailout program have yet to be converted and are facing forfeiture of the previously paid deposits on the permit. It has been requested that the Board extend the bailout program an additional 2 years until December 31, 2013.

With the Board's concurrence, changes to the Operating Rules will be drafted and reviewed with the Distributors, the HBA and other interested parties. The final rule changes will be submitted for approval later this year.

Approvals:



Melissa Elliott, Interim-Director of Public Affairs

Respectfully submitted,


James S. Lochhead, CEO/Manager



Patricia Wells, General Counsel