

CAC MINUTES

FOR THE MEETING OF APRIL 21, 2011

CAC MEMBERS IN ATTENDANCE: Jim Ives, Carol Pace, David Spector, Don Schlup, Phil Lidov, Barry Hudson, Jeff Willis, Mel Rettig, Becky Long

ABSENT: Bruce Hutchins

GUESTS: Tim Flynn, Christy Honnen, Mike Suple

DENVER WATER STAFF: Melissa Elliott, Jim Lochhead, Trina McGuire-Collier, Grace Wilcox, Joe Sloan, Ellen Cinchock

OPENING REMARKS, PUBLIC COMMENTS, AGENDA AND MINUTES

The March minutes were approved with one revision.

DENVER WATER UPDATE (Melissa Elliott) -

David Spector asked for additional information on Public Affairs becoming two separate divisions. Ms. Elliott explained Public Affairs is currently the second largest division, whose sections include: Public Affairs, Community Relations, Conservation, CIS Business Support, Customer Care, Customer Service Field, the Meter Shop, Water Sales, and the Mail Room. The new division – Customer Relations, will focus on improving the customer experience and the division split will help elevate priorities within Public Affairs. Sections will be cross-trained, and efficiencies will be made. The Public Affairs division will improve their Community Outreach section which will allow greater interaction with the public.

Ms. Elliott asked the CAC for their assistance with two Strategic Plan initiative items: Customer Affordability Issues, and the Integrated Resource Plan. The CAC could meet with a panel of utilities currently offering bill discounts for low-income and elderly customers, look at the pros and cons of each and provide Denver Water with advice on implementation.

The Integrated Resource Plan (IRP) has the issue of treated water redundancy versus system outages. Denver Water will need more capacity as the city population grows. The CAC will need to visit with their constituents to gather questions about the IRP.

GLOBAL SETTLEMENT (Jim Lochhead) –

David Spector welcomed CEO/Manager Jim Lochhead to the meeting. Mr. Lochhead thanked the CAC for their invitation. The global mediation process was four years of negotiations between seventeen entities of the Western Slope and Denver Water. The mediation had three objectives:

- Approve the permits to enlarge the Gross Reservoir
- Resolve Blue River Decree issues
- Approve the development of the *Water* Infrastructure Supply Efficiency (WISE) project

At the end of the month, a meeting will be held to announce the proposal of the agreement. Denver Water achieved their goals in a way that will benefit the West Slope and the state of Colorado. There will be ongoing meetings with the state on how water will be moved to West Slope users. Discussions will continue with the State and Bureau of Land Reclamation.

There is an ongoing discussion on the Shoshone outage protocol. Denver Water agreed to operate their facilities as if a call was in place and also ensure Green Mountain will continue to release water.

Denver Water and representatives from the West Slope are ready to release the agreement and the entities involved will have until the end of the year to sign the agreement. This announcement is another phase toward execution of the agreement. All parties are at a point where issues can be discussed and not fought over. Denver Water is now working toward an agreement to work on dam security issues in Summit County. An agreement to make security improvements to the dam road will go before the Denver Water Board next month.

Barry Hudson said he heard General Counsel for Denver Water Patti Wells' presentation on global mediation at a recent Distributors forum. She went into detail about the WISE project, which will replace well water with other sources. Mr. Hudson is concerned cities will create new taps, and wants new taps to be used with non-tributary ground water. The Distributors are concerned the water in the WISE project is being sold without system development charges, something that should be included in the mediation agreement.

Mr. Lidov asked if there will be a coordination of the media when the announcement takes place. Mr. Lochhead said the entities are working together on the messaging and each entity will provide their areas with the announcement message. This is one agreement with eighteen signatories. Mr. Hudson asked what would become of the agreement if the Gross Reservoir project was not approved. Mr. Lochhead replied that the entities involved would not get all of the proposed water if the project does not occur. The agreement has been designed to keep the West Slope and Denver Water requests together so all parties receive their portions at the same time. David Spector thanked Mr. Lochhead for the update on the proposal.

DENVER WATER BUDGET AND OVERVIEW OF DENVER WATER RATES (Grace Wilcox) –

Barry Hudson expressed concern about Denver Water's Cost of Service Analysis. Currently the analysis is based on 15-year assumptions, but Mr. Hudson would like Denver Water to look at every aspect as the current 80/20 split is unfair to the Distributors. Distributors pay 80 percent for a project if it is an increase in yield. The number of taps being sold in the suburban areas is low, while in Denver tap sales are very high. If a change does not occur the Distributors may falter in their support of the Moffat project.

Grace Wilcox, Budget Manager for Denver Water, explained that sections are paying more attention to their budgets. The 5% position vacancy rate has been met, and Division Directors now review vacant positions and collectively decide what positions will be filled. Mr. Spector asked if the attrition rate has increased significantly. Certain months, depending on retirements, show increased attrition.

The internal Budget Process Planning Improvement (BPPI) group has been reviewing each division in Denver Water and providing sections with budget recommendations. The BPPI is asking for alternatives to the 10.4% rate increase for 2012. These reductions would not affect the capital portion of the budget. Several Budget section employees met with representatives from Denver Health, who recently implemented a lean efficiency model that saved over 80 million dollars in their budget. The Capital Project Review (CPR) and Operating Program Review (OPR) meetings have been very effective in keeping projects on-budget. Carol Pace applauded the Budget section for their work, but noted Denver Water is not reducing overhead costs and they are not reducing their benefits. Phil Lidov asked that the minutes are clear that Ms. Pace's view is not shared by all of the members of the CAC. Mr. Lidov noted the city's financial problems are not the same as Denver Water's, and reducing benefits will not keep the high caliber of employees that they currently have. Barry Hudson agreed, and cited the wage freeze at Wheatridge. Ms. Wilcox said the main focus this year is reviewing administrative costs and not pushing capital projects out to further years.

2011 CONSERVATION AD CAMPAIGN (Sukle Advertising/Community Relations) –

Denver Water Community Relations Specialist Teri Chavez introduced herself to the committee. Ms. Chavez wanted to make a clarification with ethnic marketing campaign. Last year a survey was done with Latino customers to improve reaching that community. The survey found Spanish speaking customers water their lawns more than 2-3 per week, 21% of those surveyed were watering daily, and 27% were watering in the afternoon. This was a broad survey, and after the results were given to the Board the Commissioners asked Community Relations to improve outreach to this community so they would follow the watering rules. Ms. Elliott noted that Spanish speaking customers are not getting the conservation message and Denver Water suspects they are overwatering.

Ms. Chavez introduced Steve Moran Director of Accounts, and Mike Sukle, of Sukle Advertising. Mr. Moran explained that this is the sixth year of Denver Water's Conservation advertising campaign, and the "Use Only What You Need" slogan has become iconic in Denver. The slogan now has instant recognition, with 90% customer awareness and 19% in water savings versus pre-drought levels. Over 70% of single family residents are using less water. This year's campaign will go after inefficient users and continue to maintain water efficient customers. For 2011, there will be a targeted campaign to reach the ethnic community, a study will be done on inefficient water users, and efforts will be made to praise low-water users.

Mike Sukle, President of Sukle Advertising, provided the committee with a PowerPoint presentation highlighting the creative aspects of the 2011 ad campaign. Sukle surveyed low-water users and learned that they paid more attention to the weather and adjusted their water sprinklers regularly. This year's campaign will include: billboard ads, guerilla ad tactics, bill stuffers, t-shirts, and yard signs. The "Use Only What You Need" taxi and the Running Toilet will appear at various community events this summer. The Spanish campaign will include radio spots and "Use Only What You Need" popsicles that will be passed out at various events.

Phil Lidov asked if Sukle speaks with sprinkler installation companies as they can be primary educators to Denver Water's customers. Mellissa Elliott said the Conservation section attends trade shows and does contact sprinkler companies about educating customers to change their sprinkler settings. Don Schlup, who said he is very supportive of water conservation felt uncomfortable with the campaign. Mr. Schlup handed out data on non-agricultural water use. Mr. Schlup asked that the campaign not use the word "lawns," but instead use the term "landscapes" as summer watering includes trees, shrubs, flowers, and lawns. People need to be educated about watering landscapes. Joe Sloan noted the Sukle Ad campaign is just one facet of Conservation, and the Conservation section does reach out to the sprinkler companies and landscape contractors who can educate customers about watering their landscapes. Trina McGuire-Collier recommended Mr. Schlup meet with Conservation to discuss various program they are developing and provide them with his input.

CAC BUSINESS –

The CAC will send a memo to the Denver Water Board on recommending public engagement for the Integrated Resource Plan.

Jeff Willis asked if Barry Hudson could provide the CAC with a briefing on the Distributor 80/20 structure at a future meeting.

The meeting was adjourned at 7:10 P.M.