

# CAC MINUTES

FOR THE MEETING OF MAY 17, 2012

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**CAC MEMBERS IN ATTENDANCE:** David Spector, Bruce Hutchins, Mel Rettig, Jim Ives, Don Schlup, and Jeff Erb

**GUESTS:** Joseph Martinez

**DENVER WATER STAFF:** Joe Sloan, Sally Covington, Melissa Elliott, Michelle Garfield, Julie Anderson, Greg Fisher, Bob Steger

## **OPENING REMARKS, PUBLIC COMMENTS, AGENDA AND MINUTES**

The agenda was approved without comment and the April minutes will be approved at the next meeting.

## **SNOWPACK UPDATE (Bob Steger) –**

Bob Steger, Raw Water Supply Manager, gave an update on the snowpack in the South Platte and Colorado watersheds. The melt is done in the South Platte and only a small amount of melt is left in the Colorado watershed. Denver Water is in better shape than in 2002 because the reservoirs were higher than usual at the start of the runoff. Demand is down and that has helped. The big question is will the summer be typical or dry.

Mel Rettig commented on low use (demand) compared to 2002. This year and 2002 have similar characteristics. Mr. Rettig asked if staff thought that was due to conservation or simply a better understanding by customers of the situation. Melissa Elliott responded the Board dedicated 10 years of resources to conservation and education and DW is seeing the fruit of those resources. Customers are doing a great job conserving and have a better understanding of drought. Don Schlup added the Green Industry has also helped educate people on water use. Customers, industry, Denver Water Board and staff have all contributed to being in a much better place than the drought of 2002. Education of water use is critical and customers are getting good information for Green Industry and water providers.

## **DENVER WATER UPDATE, LEGISLATIVE UPDATE & CRCA UPDATE** **(Melissa Elliott) -**

Colorado River Cooperative Agreement (CRCA) – Ms. Elliott did not send out a written update, but provided a verbal update. The CRCA signing was well attended and an

accomplishment that should be celebrated. There are still signatures needed but Denver Water, Summit and Grand counties have come a long way over the past five years of negotiations. Bruce Hutchins stated good things can happen if the agreement is signed by all. The agreement will be celebrated once it is implemented and it addresses the concerns of Summit and Grand. Mr. Rettig stated the River District is waiting for Grand Valley to sign. After they sign Mr. Rettig believes entities in the River District will sign.

### **DENVER WATER UPDATE (Melissa Elliott) –**

The Cost-of-Service rate model will go to the Board on May 23, 2012. The process has been open and positive for Denver Water and the Distributors. Denver Water, the distributors, and consultants have met many times during the process. Not all the Distributors issues were resolved in the process but generally it has been a good process. The Distributors would like specific numbers or parameters in the model but Denver Water does not want to bind future Boards to set numbers.

At recent Board meeting the topics of the Strategic Plan, LEAN, Employee of the Future and Pay-for-Performance have been discussed.

Mr. Hutchins asked for an update on the Siphon 1 project in Winter Park. A contractor for the project has been selected. Denver Water staff has been in contact with the Forest Service. The Forest Service is requesting studies be done before the project begins. Mr. Hutchins stated he has a project on Forest Service land and he too has been asked about performing additional studies prior to the start of the project.

### **AFFORDABILITY (Michelle Garfield) -**

Michele Garfield, Manager of Customer Care, gave an overview of the Customer Care Section and the services offered to customers. Ms. Elliott introduced the topic of affordability. Ms. Elliott would like the CAC to give input on Affordability. It is part of the Strategic Plan.

Ms. Garfield share the following 2011 statistics -

- 233,000 Customers
- 56,554 Disconnect Notices
- 5,884 Delinquent Turn-Offs

While the number of Turn-Offs is low, Customer Care would rather have no Turn-Offs. Denver Water staff is willing to work with customers but it is up to the customers to contact Customer Care.

The CAC is interested in discussing the issue of affordability at future meetings. Ms. Elliott will seek out speakers for future meetings. David Spector stated these would ideally be by other water utilities in the metro area. He also suggested getting information from water providers in the western states. Mr. Schlup suggested the issues of leaks also be addressed with the affordability issue. Many customers have leaks on their irrigation systems which result in high bills. Mr. Schlup was not aware of the Denver Water leak adjustment policy and suggested Denver Water do more to notify customers of the policy.

### **CAPITAL PROJECTS PLAN AND BUDGET PROCESS – (Greg Fisher)**

Greg Fisher, Acting Budget Manager, gave an overview of the budget process. Mr. Spector reminded the CAC members the budget process sets what will be needed or could be needed from rates. In the past Phil Lidov and other CAC members suggested the CAC become involved in the financial process earlier than simply at the time of a rate increase. The budget and financial plan will drive a rate increase. Mr. Fisher stated in addition to rate increase the Board can draw down cash reserves and issue new debt. Mr. Fisher stated the budget does not set rates. It determines what the Board is funding for 2013.

Mr. Fisher has been working with Grace Wilcox to achieve more accountability in the budget process. As there is greater accountability the Board will set goals for the organization and move away from details involved with project costs. For example the Board may set a policy to expand the recycled water system. They would approve an overall amount for that goal and staff would implement a plan for how best to use the allocated amount. This would allow the Board to focus more on policy rather than approve pieces of an overall project.

Mr. Fisher explained Denver Water has divided the Capital Plan into 14 categories. This too is being done to help the Board set high level policy on each of these categories. Some members asked how this would change staff (manager) approval levels and what safeguards would be in place if the Board was not reviewing each project. Mr. Fisher stated this would be a phased process. The Board has an audit staff on three at Denver Water who answer to the Board, not the manager. Staff would have to follow the Board's budget and could only use funds assigned to the proper category.

Mr. Spector stated he hoped this process would include changes to the bidding/contract process. The CAC has been contacted in the past by those who were not awarded a contract on a bid. The frustration of these vendors was with the process. Mr. Spector asked Mr. Fisher if changes would be made so all bid processes would be the same and more transparent. Mr. Fisher and Ms. Covington agreed the process for bidding had to be transparent and clear. Ms. Covington reminded the CAC of the Board's commitment to Small, Minority, Women, and Business Enterprises (SMWBE) as part of the bid process. Ms. Covington suggested Mr. Fisher return to a future CAC meeting with information, if relevant, on the bid process and on the 14 categories for the Capital Plan.

### **CAC BUSINESS -**

Cost of Service Rate Model – Mr. Spector asked in the CAC wanted to send a memo to the Board on the issue of the proposed changes to the Cost of Service Rate Model. It was decided a separate document was not needed rather the CAC would send comments by way of the meeting minutes which are sent to the Board.

Jim Ives agreed with comments sent by Distributors that a calculation of the model should be included. Mr. Schlup agreed and both understood this process was to set policy and not specific numbers. However Mr. Schlup stated the policy could include parameters or caps or limits of some kind. Something more concrete, numbers or limits, seems to be what the Distributors were asking for in the document. Mr. Schlup thinks the Board could set some general limits. Mr. Spector stated the Board and staff included Distributors throughout the process. It appears it was a good process. As with all agreements each side may not get everything they want, and this seems to be in the case with the Distributors. Mr. Spector complemented the Board, staff and Distributors for working through the process which appeared to be open, transparent and met the time frame set by the Board and the Distributors. Mr. Spector expressed the CAC hoped future work with the Distributors, and with all stakeholders, has a similar open and transparent process. While stakeholders many not get everything they want from DW, they should be included in the process of setting policy.

Tour – The CAC will tour Winter Park, Grand County and Williams Fork Reservoir on July 19<sup>th</sup>. Mr. Spector asked Joe Sloan and Mr. Hutchins to work on a draft itinerary for the 19<sup>th</sup>. Mr. Sloan will send out a request to CAC members to hold the July 19<sup>th</sup> tour date.

The meeting was adjourned at 6:55 pm.