

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

**Open Session**

**November 10, 2010**

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, November 10, 2010 beginning at 9:12 a.m. in the Board Room, Room 309, 1600 West 12<sup>th</sup> Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

**Penfield W. Tate, III, President**  
**John R. Lucero, First Vice President**  
**Thomas A. Gougeon, Vice President**  
**Paula Herzmark, Vice President**  
**H. Gregory Austin, Vice President**

Board employees and others present during portions of the Meeting were:

J. S. Lochhead, CEO/Manager	P. L. Wells, General Counsel
A. C. Bricmont, Director of Finance	D. L. Little, Director of Planning
M. L. Bassett, Director of Public Affairs	B. D. Good, Director of Operations & Maintenance
R. J. Mahoney, Director of Engineering	C. R. Dermody, Director of Information Technology
C. Elam-Floyd, Director of Human Resources	U. Sharma, Treasurer
G. T. Malmberg, Sales Administrator	M. L. Walker, Attorney
G. Rygh, Superintendent of Water Control	P. Coleman, Manager of Internal Auditing
T. Cristiano, Manager of Rate Administration	T. Segura, Budget Analyst
J. Light, Engineer	L. Dennis, Engineer
S. Hyde, Engineering	M. Peden, Warehouse
W. C. Austin, Manager of Safety and Security	R. Wirth, Supervisor of Treasury Operations
P. Daukas, Manager of Environmental Planning	M. Bond, Community Affairs Specialist
L. Billeter, Staff Analyst	S. Miller, Manager of Health Care Administration

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S. Niemi, Rate Analyst  
L. George, Human Resources

M. Deiss, Legal

Jill Wuertz, Denver Parks &  
Recreation  
Frank Hoffman, Citizen  
Doug Christ, Residential Customer  
Brian Reid, Management &  
Maintenance

Becky Long, CAC  
Karn Stieglemeir, CAC Candidate  
Joe Waters, Denver Resident  
Bruce Hutchins, CAC Candidate  
Brad Jones, FTS

Michael Queen, Consolidated Mutual  
Water Company  
Jared Maher, FTS

John Boyle, Consolidated Mutual Water  
Company  
Reneé Allen, Consolidated Mutual Water  
Company

Commissioner Tate called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, the reading of the Minutes of the Regular Meetings of October 13 and October 27, 2010 was dispensed with and such Minutes were approved.

Upon motion regularly made, seconded and unanimously carried, the Minutes of the Executive Sessions of October 13 and 27, 2010 were approved.

#### **Public Comment**

In response to Commissioner Tate's invitation, Joe Waters, a Denver resident living the southwest quadrant of the City addressed the Commissioners regarding the impact of the block structure on irrigation usage. Mr. Waters explained he had taken steps over the last several years to reduce water use, and that, although he had reduced his usage during the summer irrigation season by as much as 20%, his water bill had increased significantly. Mr. Waters reported that he had invited Denver Water's water conservation staff to analyze his water usage to determine whether additional steps could be taken to reduce his water demands. The analysis indicated that his irrigation usage was about 13 gallons per square foot per year, however because the landscaping is primarily bluegrass, further savings would not be attained without xeriscaping his property. Mr. Waters opined that the cost of re-landscaping to use

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more xeric materials would be both expensive and time-consuming. Mr. Waters further opined that owners of large lots were penalized by the Board's current rate structure and an alternative to such structure would be budget-based billing. Mr. Waters expressed the opinion that using budget-based billing, he and other large lot owners, would be able to maintain healthy landscaping at a reasonable cost.

Doug Christ, a suburban residential customer commented regarding the timing of the monthly bills. Mr. Christ explained that the number of days in the billing cycle affects whether a user is moved into a higher tier. Mr. Christ explained that he had irrigated during the most recent September, one of the warmest on record. Use of a 33-day billing period caused his usage to move into a more expensive tier. Mr. Christ reported that water bill was higher than any others for the year, which he attributed to the 33-day period. Mr. Christ opined there could be a flaw in the billing system which should be addressed.

Michael Queen, President of Consolidated Mutual Water Company, a long-time Denver Water distributor with a Master Meter contract explained that Consolidated had provided a Letter of Protest regarding the proposed 2011 Water Rates. Mr. Queen explained the proposed increase of 14.6% would have a direct impact on Consolidated's operations in 2011. Mr. Queen requested that the Board consider adopting smooth and predictable increases, which would provide more consistency to Consolidated and its customers.

Brian Reid, manager of several homeowner association facilities commented regarding the need to reduce expenditures in the current economic times. Mr. Reid specifically inquired of the amount of the increase that was caused by the wage increases which the Commissioners had approved at their previous meeting. Mr. Reid also spoke regarding the use of capital reserves and the need to forecast major infrastructure repairs. Mr. Reid opined such forecasting could avoid significant future rate increases. In response to Mr. Reid's comments, Ms. Bricmont explained the use of Denver Water's 10 year Operation and Maintenance Budget and Financial Plan. Commissioner Gougeon opined the costs were also partially caused by the change of categorization of use in 2006.

Commissioner Tate, on behalf of the Board members, thanked the members of the public for appearing and for providing their comments. Commissioner Tate asked if there were any further comments from the public regarding the proposed rate increase or any other matter. There was no further response.

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Upon motion regularly made, seconded and unanimously carried by the Commissioners then present, unless otherwise noted, the Board acted upon the following agenda items:

1. **ITEM V-A-1: HUMAN RESOURCE CHANGES**

Approved the human resource changes set forth in Agenda Item V-A-1 dated November 10, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "A," effective the pay period beginning **October 16, 2010**, unless otherwise noted.

2. **ITEM V-A-2: EMPLOYEES ELIGIBLE FOR REGULAR STATUS**

The following employees were classified as regular employees of the Board, with all rights and privileges thereof, effective **November 1, 2010**, unless otherwise noted:

<b>Employee Name</b>	<b>Employment Date</b>	<b>Retirement Plan Participation Date</b> <small>Unless otherwise noted^</small>	<b>Division/Section</b>
Scott Franey	04/19/2010	04/19/2010	Internal Auditor #011
Sean Hansz	04/12/2010	04/12/2010	Civil Engineering #211
Katie Ross	04/26/2010	04/26/2010	Property Management #251
Bradley Conn	03/01/2010	03/01/2010	T&D Construction & Maintenance #710

3. **ITEM V-A-3: CONTRACT EXTENSION WITH CORPORATE NET SERVICES, INC.**

Approved entering into a contract extension with Corporate Net Services, Inc., extending the December 14, 2007 Agreement to provide up to 1300 hours of consulting services by John Carleton through December 31, 2011, at an additional cost of \$195,000 and a total amended contract amount not to exceed \$735,000.

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In response to questions from the Commissioners, Mr. Dermody explained that under the Amendment, Mr. Carleton would have an expanded consulting role, including making recommendations for information technology equipment, standards, approaches and plans for 2011. During the Commissioners' discussion, Mr. Lochhead explained that integration of the IT effort into the overall business plan of Denver Water would be a part of the Strategic Plan Initiative.

4. **ITEM V-A-4: CHANGE ORDER NO. 1 WITH INTERSTATE HIGHWAY CONSTRUCTION FOR THE DE-ICE PAD VAULT IMPROVEMENTS AT DENVER INTERNATIONAL AIRPORT**

Approved Change Order No. 1 in the amount of \$134,043.50 to the April 14, 2010 contract with Interstate Highway Construction to construct designated improvements to vaults located on the West Airfield de-ice pads at Denver International Airport, for an amended contract amount not to exceed \$1,800,933.50. The Change Order also extends the final completion date to October 31, 2010, all as more particularly described in Change Order No. 1, a copy of which is attached to and incorporated in these Minutes as Exhibit "B."

5. **ITEM V-A-5: RATIFICATION OF CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified Construction Contract Change Orders and Amendments to Agreements authorized by the CEO/Manager in September and October 2010, as follows:

Contingency Amendment No. 2 to Contract 11596A with Moltz Civil LLC for the Williams Fork Small Hydro/Outlet Works project;

Change Order No. 4 to Contract 11992B with Moltz Construction for the Marston Filter Plant No. 2 Upgrade project;

Change Order No. 3 to Contract No. 12575A with Panattoni Construction, Inc. for the Einfeldt Decentralization Station Project;

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Second Amendment to Task Order Agreement 11119H with Integra Engineering for the 8-Inch Main – 50<sup>th</sup> Avenue at Vasquez Blvd. Project;

Second Amendment to Task Order Agreement 11119I with Integra Engineering for the 12-Inch Main – DTC Marriott Relocation Project;

Second Amendment to Task Order Agreement 11119J with Integra Engineering for the 12-Inch Main – Cherry Creek Lowering Project;

First Amendment to Task Order Agreement 11127E with Lintjer + Haywood Architects, PC for the Foothills Water Treatment Plant Lunchroom Remodel;

First Amendment to Task Order Agreement 11136I with Shannon & Wilson, Inc. for the Antero Residences Septic System Design Work;

Fifth Amendment to Agreement 11688A with Muller Engineering Company, Inc. for the Dunes Reservoir Outlet Facilities Design Work;

Second, Third, and Fourth Amendments to Agreement 12228A with AECOM USA, Inc., for the Denver Water Reuse System Master Plan Update;

Second Amendment to Agreement 12668A with Nolte and Associates for Rezoning and Replatting for the Dedication of 69<sup>th</sup> Way;

Second Amendment to Agreement 12735A with Nolte and Associates for surveying properties adjacent to the Board's Cat Reservoir property;

Second Amendment to Agreement 12775A with Merrick & Company for the Denver Federal Center Utilities Infrastructure Project; and

First Amendment to Agreement 12910A with URS Corporation for the Williams Fork Dam Structural Stability Analysis Work;

all as more particularly described in the attachment to Agenda Item V-A-5, dated November 10, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "C."

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6. **ITEM V–A–6: CONTRACT EXTENSION WITH SEMPRA  
PROFESSIONAL SERVICES FOR MOBILE WORKFORCE SYSTEM  
SOFTWARE DEVELOPMENT SERVICES**

Approved extension of the July 9, 2010 Agreement with Sempra Professional Services, LLC, to provide the services of Navaladi Subbarayan for software development, augmenting staffing in the Tier III New Solutions Section of the Information Technology Division for an additional six months at a cost of \$90,000 and a total amended contract amount of \$185,000.

7. **ITEM V–B–1: CITIZENS ADVISORY COMMITTEE APPOINTMENTS**

Ms. Bassett explained the Citizens' Advisory Committee had forwarded the names of two finalists for interview for replacement of the Eagle, Grand, or Summit County West Slope Representative to the Citizens' Advisory Committee. Additionally, members Melvin Rettig and Jeff Willis wished to be reappointed to a second three-year term. Ms. Long commented briefly regarding the CAC process and the qualifications of the two candidates. Commissioner Tate explained the procedure was for the candidates to introduce themselves and to speak briefly regarding their interest in serving on the CAC and their qualifications for the appointment. The Commissioners would then meet in Executive Session to discuss the candidates' qualifications and would reconvene the Regular Meeting to take up consideration of the appointments.

Karn Stieglemeir, a Summit County Commissioner, active with the Colorado River Basin Roundtable, Northwest Colorado Council of Governments Water Quality and Quantity Committee and other water organizations described her interest in serving and the need for the CAC to advocate for collaborative process as a part of the Board's decision-making. Commissioner Stieglemeir commended the Board for its involvement with the Forest Service to develop a healthy forest initiative and address the beetle kill problem in Summit County.

Bruce Hutchins, Manager of the Winter Park Water and Sanitation District then addressed the Commissioners regarding his long term involvement, on behalf of his District with various staff members of Denver Water, his membership in the Colorado River Basin Roundtable, the Northwest Colorado

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Council of Governments Water Quality and Quantity Committee and other activities. Mr. Hutchins commented that he had worked to address issues common to both East and West Slope Water Users and welcomed the opportunity to bring his experience as a water district operator to the CAC.

Commissioner Tate thanked Ms. Stieglemeir and Mr. Hutchins for their interest in serving on the CAC. The Commissioners tabled consideration of all appointments pending further discussion in the Executive Session.

8. **ITEM V-B-2: RENEWAL OF INTERNAL AUDIT CHARTER**

Approved a revised Internal Audit Charter, as more particularly described on Exhibit "D," attached to and incorporated in these Minutes.

9. **ITEM V-E-1: CHANGE ORDER NO. 2 WITH MAINLINING SERVICE, INC. FOR 2010 PIPE REHABILITATION**

Approved Change Order No. 2 in the amount of \$65,396.59 to the March 10, 2010 contract with Mainlining Service, Inc., for the 2010 Pipe Rehabilitation Program, bringing the total amended contract amount to \$2,756,210.59, all as more particularly described in the Change Order, a copy of which is attached to and incorporated in these Minutes as Exhibit "E."

Ms. Dennis provided an overview of the Pipe Rehabilitation Program. The program which began in 1962, cleans and lines unlined cast iron pipe. Ms. Dennis reported that over 450 miles of unlined cast iron pipe are in the Denver Water Distribution System. The contractor was able to line 21,000 feet of pipe in 2009 and 45,000 feet of pipe in 2010.

Jim Light then described the proposed program for 2011. The goal for the 2011 program is to line 50,000 feet of pipe. A unit price proposal has been received from Mainlining Service. The proposed 2011 program would rehabilitate pipe in the Northwest and South Central portions of Denver at a cost of \$4.1 Million. Mr. Light explained the specifics of the proposed 2011 project are contained in Agenda Item V1-B-1.

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10. **ITEM V-E-2: FIRST AMENDMENT TO 2009 FINANCIAL RECONCILIATION AGREEMENT WITH SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT**

Approved execution of a First Amendment to the April 2009 Financial Reconciliation Agreement with South Adams County Water & Sanitation District providing for South Adams' payment of costs of the downstream reservoir project through 2008 in the amount of \$8,651,948.82. The Amendment also contains provisions regarding minimum deliveries of potable water for 2011 at the Board's 56<sup>th</sup> Avenue facilities and at the Tower Road and 114<sup>th</sup> Avenue Interconnects. A copy of the First Amendment is attached to and incorporated in these Minutes as Exhibit "F."

11. **ITEM V-E-3: RATIFICATION OF RENEWAL OF EXCESS LIABILITY INSURANCE POLICY**

Ratified the payment of \$89,903.00 to Chartis Insurance Co., for continuation of the Board's excess liability insurance coverage for the period October 16, 2010 through October 16, 2011.

12. **ITEM VI-B-1: DISCUSSION AND INFORMATION: 2011 PIPE REHABILITATION PROGRAM**

As noted in the discussion of Agenda Item V-E-1 above, based on the provisions of the 2010 Agreement, Contract # 12729A, the parties have negotiated a proposed contract for the 2011 program which will be brought to the Board for authorization at the November 10, 2010 meeting. Mainlining Service, Inc., has performed the 2009 and 2010 rehabilitation work and has proposed favorable unit prices for the 2011 program. The estimated contract amount is \$4,100,000, which amount is subject to completion of the final design documents.

13. **ITEM VI-B-2: DISCUSSION AND INFORMATION: SELECTION OF INSURANCE BROKER/ADVISOR**

The Commissioners received a memo from the Risk Management Committee, a copy of which is attached to and incorporated in there Minutes as Exhibit "G," describing the selection process, services to be provided and

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the recommended entity to provide assistance in marketing Denver Water's insurance requirements. The proposed contractor will also assist in development of an Enterprise Risk Management Program for the Board.

14. **ITEM VI-B-3: DISCUSSION AND INFORMATION: PROPOSED 2011 SYSTEM DEVELOPMENT CHARGES**

Mr. Cristiano presented information to the Commissioners regarding the proposed 2011 system development charges. A copy of Mr. Cristiano's presentation is attached to and incorporated in these Minutes as Exhibit "H." Mr. Cristiano noted the overall increase proposed for 2011 is 11.4%. The increase is, in part, driven by increasing the valuation of the Board's water rights as well as increased valuation of its other assets. As a part of his presentation, Mr. Cristiano compared existing and proposed SDCs for various single-family, multi-family, non-residential, treated water and non-potable water customers. The proposed 2011 system development charges are proposed to be brought to the Board for adoption at the December 8 meeting. During the discussion of the proposed change, the Commissioners discussed whether the \$500 per year increase in water rights valuation which is targeted to reach a valuation of \$11,500 per acre-foot by 2015, was realistic. Mr. Cristiano reported that staff had met with representatives of the Metropolitan Homebuilders Association to discuss the proposed increase and there were no significant concerns expressed at that time.

15. **ITEM VI-F-1: DISCUSSION AND INFORMATION: STATUS OF THE INVESTMENT PORTFOLIO**

The Commissioners received the report, "Denver Water Investment Portfolio as of October 29, 2010" as set forth in Agenda Item VI-F-1 dated November 10, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "I."

16. **ITEM VI-F-2: DISCUSSION AND INFORMATION: BUDGET STATUS REPORT**

The Commissioners received the 2010 Year-to-Date Budget Status Summary for the period ending **October 31, 2010**, a copy of which is attached to and incorporated in these Minutes as Exhibit "J."

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17. **ITEM VI-F-3: DISCUSSION AND INFORMATION: BOARD SUMMARY OPERATING RESULTS — UNAUDITED**

The Commissioners received an unaudited Summary of Denver Water's accrual-basis operating results for the nine months ended September 30, 2010 and 2009, as more particularly described on Exhibit "K" attached to and incorporated in these Minutes.

18. **ITEM VI-G-1: SCHEDULING OF FUTURE BOARD MEETINGS**

The Board confirmed the next meeting will take place on **Wednesday, November 17, 2010, at 9:00 a.m.** in the Board Room, Room 309, 1600 W. 12<sup>th</sup> Avenue, Denver, Colorado. An agenda will be posted prior to the meeting. A portion of the meeting will take place in Executive Session.

The Board will meet at **9:00 a.m. on November 15, 2010** at the Grant-Humphries Mansion to discuss updating Denver Water's Integrated Resource Planning Process.

The Board confirmed that it would meet **Wednesday, December 8, 2010, at 9:15 a.m.** in the Board Room, Room 309, 1600 W. 12<sup>th</sup> Avenue, Denver, Colorado. An agenda will be posted prior to the meeting. A portion of the meeting may take place in Executive Session.

The Annual Meeting of the Board will take place on **Wednesday December 8, 2010, at 9:00 a.m.**

The Board confirmed a Study Session will take place on **Wednesday, December 15, 2010, at 9:00 a.m.** in the Board Room, Room 309, 1600 W. 12<sup>th</sup> Avenue, Denver, Colorado. An agenda will be posted prior to the meeting. A portion of the meeting may take place in Executive Session.

No further business appearing, the Board voted unanimously to adjourn into Executive Session at approximately 11:10 a.m. Commissioner Tate noted that following the Executive Session the Board would reconvene its Regular Meeting to take up consideration of the CAC appointment, Agenda Item V-B-1.

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#### EXECUTIVE SESSION

On Wednesday, November 10, 2010, commencing approximately at 11:15 a.m. in the Manager's Office, located in the Administration Building, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matters which is authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34 was discussed during the Executive Session:

1. CAC Appointment § 24-6-402(4)(f)(I)

At approximately 11:20 a.m. the Board adjourned the Executive Session and reconvened the Open Session to take up consideration of Agenda Item V-B-1.

#### RECONVENED OPEN SESSION

At approximately 11:20 a.m., on Wednesday, November 10, 2010 in the Board Room, Room 309, 1600 W. 12<sup>th</sup> Avenue, Denver, Colorado, Commissioner Tate reconvened the regular meeting of the Board of Water Commissioners which had adjourned to Executive Session for discussion of the candidates for the CAC position. Members of the Board present were:

**Penfield W. Tate, III, President**  
**John R. Lucero, First Vice President**  
**Thomas A. Gougeon, Vice President**  
**Paula Herzmark, Vice President**  
**H. Gregory Austin, Vice President**

Board employees and others present during the reconvened meeting were:

J. S. Lochhead, CEO/Manager	P. L. Wells, General Counsel
A. C. Bricmont, Director of Finance	D. L. Little, Director of Planning
M. L. Bassett, Director of Public Affairs	B. D. Good, Director of Operations & Maintenance
R. J. Mahoney, Director of Engineering	C. R. Dermody, Director of Information Technology
P. Coleman, Manager of Internal Auditing	M.L. Walker, Attorney

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**ITEM V-B-1: CITIZENS ADVISORY COMMITTEE APPOINTMENTS**

Upon motion regularly made, seconded, and unanimously carried, the Board made the following appointments to the Citizens Advisory Committee:

Melvin Rettig was reappointed as the Grand Valley and West Slope Representative for a three year term ending December 2013.

Jeff Willis was reappointed as the Homebuilders Association representative for a three year term ending December 2013.

Bruce Hutchins was appointed as the Eagle, Grand, or Summit County West Slope Representative for a three year term ending December 2013.

There being nothing further for the Board to consider, the reconvened Open Session concluded at approximately 11:25 a.m. The Commissioners then reconvened the Executive Session.

**RECONVENED EXECUTIVE SESSION**

The Executive Session was called for the sole purpose of discussing the following topic which is authorized by CRS § 24-6-402 or D.R.M.C. § 2-34:

Attorney-Client § 24-6-402(4)(b) and (c).

There being nothing further for the Board to consider, the Reconvened Executive Session concluded at approximately 11:55 a.m.

  
Secretary

  
President