

CAC MINUTES

FOR THE MEETING OF SEPTEMBER 20, 2012

CAC MEMBERS IN ATTENDANCE: Jim Ives, David Spector, Phil Lidov, Bruce Hutchins, Becky Long, Don Schlup

CAC MEMBERS ABSENT: Barry Hudson, Jeff Erb, Mel Rettig, Jeff Willis

GUESTS: Tim Flynn, Ben Temple, Kathy Proctor

DENVER WATER STAFF: Melissa Elliott, Sally Covington, Katie Knoll, Angela Bricmont, Stephanie Niemi, Ellen Cinchock, Heather Stauffer, Kerry Kuykendoll, Zeke Campbell, Cynthia Brady, Bruce Hale, Ken Pollock

OPENING REMARKS, PUBLIC COMMENTS, AGENDA AND MINUTES

The agenda was approved without comment. August minutes were approved without comment.

PUBLIC COMMENT ON DENVER WATER RATE INCREASE PROPOSAL – (Angela Bricmont, Stephanie Niemi, Kerry Kuykendoll – Finance Division)

Mr. Spector thanked Ms. Bricmont for attending. Ms. Bricmont explained that there were several options on rate increases given to the Board. Ms. Bricmont explained that the costs that were driving the budget were infrastructure costs not operating costs. The 2.5% revenue increase, which will be proposed to the board, will not delay maintenance. The 2.5% revenue increase was determined by implementing a new budget accountability process. First, Denver Water identified areas of the budget where we have contingencies and worked to lower those contingencies in the budget. Denver Water also looked at managing upward costs. While Capital and Maintenance costs can't be lowered, operating costs can be lowered for 2013. The executive team also worked to achieve different types of outreach. Ms. Bricmont explained that the executive team did multiple budget reviews. They also met with the Board on their expectations and worked on putting together a rate methodology with the distributors.

Ms. Niemi explained the 2013 rate increase impacts on customers. She showed a comparison of the existing rates and the proposed 2013 rates. Service charges are to remain the same for customers, around \$6.33; the average residential customer will see a 1.6% increase, or about \$0.50 a month. A PowerPoint presentation was provided to the CAC and is part of the record of the meeting.

Comments from the Public:

Mr. Flynn inquired as to Master Meter rates. Ms. Niemi said that she would get back to him directly about the specifics.

Ms. Long asked what the definition of miscellaneous revenue was, Ms. Niemi explained that miscellaneous fees included: participation fees, fees for turning on and off water service, and meter fees.

Mr. Lidov asked if the forecasted \$262 million was based on many years or this year's water consumption. Ms. Bricmont explained that you cannot plan for an average year, because there is no such thing as an average year. You plan for wet years and dry years. Ms. Niemi explained that they looked at the weather patterns from 2005-2009 to identify outlier years, (ex. 2006 and 2009).

Mr. Spector asked if they had calculated the percentage of increase for each customer block. Ms. Bricmont explained that rate increases increase incrementally for whatever block you're in.

Mr. Spector noted that Denver Water previously had tried to smooth rate increases and asked if that would continue. Ms. Bricmont explained that Denver Water is looking to smooth out increases over the next 10 years. Currently, 2014- 2015 are projecting higher adjustments needed, more than 2.5% The executive team will need to look at more efficiencies and better budgeting to try and minimize fluctuation. Capital projects are \$1.3 billion over 10 years and need to be prioritized with the board. Ms. Covington explained that rate increases have dropped from 10% to 5.5% to 2.5%; however costs will continue to increase. Rate increases are tied back to a budgeting process. We have adopted Lean and financial management systems but we don't want crumbling infrastructure, our system needs to be managed.

Mr. Spector thanked Ms. Bricmont and Ms. Niemi for their time. He mentioned that people need to know that the rates are reviewed and budgeted. Mr. Spector explained to the public that the CAC is independent of the board and staff of Denver Water. The purpose of the CAC is not to make policy, but to recommend policy on behalf of groups or individuals. MR. Spector continued public comment.

There was no further public comment.

Mr. Schlup commented that Block 4 read & bill outside the city has a number of people he represents whose rate increase will be upwards of 5%. Mr. Spector noted that these customers tend to have larger yards.

Mr. Spector thanked Denver Water for holding the meeting and asked Ms. Bricmont how distributors feel about the new rate methodology. Ms. Bricmont explained that there

were some very technical questions when they sat down and talked with them. Pat Fitzgerald noted at the last district meeting that the process was much more open and transparent. However they do still have issues that will be brought up to the Water Board at the next meeting as it is a work in progress.

Mr. Flynn agreed that they are still analyzing it. He noted that he also felt that the process was relatively open and mentioned that it was hard to complain about a rate that has come down so low. Distributors have questions about how rates are allocated, and have real concern for customers in the 4th tier.

Mr. Spector noted that education on rates this year has been much clearer than in years past.

Mr. Schulp commented that he needs help to explain to his constituents why it is not a 2.5% increase for them but a 5%. He said suburban areas are getting hit at a higher percentage but are not necessarily using more water.

Mr. Flynn noted that as a follow up he has seen many more lawns that have gone brown. He asked if this is a direct effect of higher rates or of drought.

Ms. Bricmont explained the block rates. Block 4 structure was a policy decision, utilities in the west moved to uniformed inclined block rates due to issues with drought. There is not an endless supply. The average consumption is harder to do and be fair.

Mr. Shulp commented that he believes Denver Water should have to come up 2.5% on all levels. He does not agree with the steps.

Mr. Lidov noted that Denver Water skewed the rate increases toward higher users in a certain block.

Mr. Spector asked Ms. Bricmont if she had the percentage of revenue received from each block. Ms. Niemi explained that 70% of revenue comes from block 1. 26-28% of revenue comes from block 2. 1.5% of revenue comes from block 3 and the rest comes from block 4.

Ms. Bricmont said that she would get the specific information to the CAC after the meeting. She commented that it is not a 2.5% rate increase but rather a 2.5% revenue requirement on our end.

Ms. Covington noted that next week is when the board adopts the 2013 rates and revenue requirements.

Ms. Long inquired as to what outreach processes happened before the increase proposal went to the board.

Ms. Covington explained that the main message was water will be an ongoing cost. The budget drives the revenue requirements which drive the rates.

Mr. Spector commented that staff should have what the average rate increase for each block is.

Ms. Bricmont mentioned that they did that for low, medium and high users on the website.

Mr. Lidov suggested that Denver Water do a comparison for rate increases for suburban vs. other water districts

Ms. Long suggested that Denver Water have a breakdown of what your bill goes to. This will show what you are getting for your money.

Mr. Spector explained that historically the CAC has not sent a message to the Water Board having to do with revenue increases. Mr. Spector stated that he thinks it is great that Denver Water is trying to live within their means and a 2.5% increase is good, the CAC would like to see Denver Water take their message to the customer next year. Ms. Long stated that she thought the distributor and Denver Water's discussions on rate methodology followed a better process that was also more transparent. Mr. Schlup appreciated gaining a better understanding of budget and efforts to maintain lower budgets. However, Denver Water needs to re-look at rates for suburban areas in tier 3 & 4. On behalf of the CAC Mr. Spector would like to commend Denver Water staff for all their efforts. A draft of the unapproved minutes, subject to approval from the CAC, will be sent to the board.

DENVER WATER UPDATE (Melissa Elliott) –

Ms. Elliott introduced Ms. Stauffer and explained that she will be taking over CAC liaison duties. Ms. Elliott also introduced Ms. Knoll who will be in charge of stakeholder relations.

Ms. Elliott gave an update on the creation of a multiplex class. She explained that this applies to a small subset inside Denver customers.

Ms. Niemi explained that this applied to Stapleton and this type of development is new to our service area. Developments normally face the main, but these face a green court. 4-16 houses around these green courts. They put in irrigation and a tap for a common area, there can be 8 residents on 1 tap. Some have their own taps but this causes problems with maintenance.

Mr. Lidov asked how many homes were affected.

Ms. Niemi said there were about 80 clusters, around 640 customers.

Mr. Spector asked if there was any notice given to the citizens in these communities that there would be a rate change.

Ms. Niemi explained that individuals do not pay; usually the HOA receives it and divides it up. HOA received advanced notice. Some areas are seeing an increase and some areas are seeing a decrease in rates. Some have irrigation taps and some do not. Compared usage between them and average city users show that they are still using similar amounts of water as an average city customer.

Ms. Bricmont explained that the issue was not consistent as some people see their bills and some do not. We will need to go back and do more analysis on this.

Ms. Long commented that multiplexes vary and that this was a good starting point and suggested looking at land use components in Denver and not be stuck with zoning.

Ms. Niemi commented that it is temporary and the customers are paying a comparable rate.

Mr. Spector asked if Denver Water had met with SUN.

Ms. Elliott said that Denver Water had not yet met with SUN specifically.

Mr. Spector to send contact information to Ms. Bricmont and Ms. Niemi

SOURCE OF SUPPLY WATER QUALITY (Water Quality Section) – Zeke Campbell, Cynthia Brady, Bruce Hale, Ken Pollock

Mr. Spector explained the request after a meeting discussing fracking and its impacts on water supply the CAC wanted to hear more about source water and how it is protected.

Mr. Campbell stated that Denver Water is lucky in that we have snowmelt which is the purest water and we also don't have a lot of fracking in those areas. The likelihood of fracking is very small in those watershed areas.

Mr. Spector asked Mr. Campbell if he would tell the CAC how many wells there were near our sources and what is Denver Water doing to monitor water quality?

Mr. Hale explained that Denver Water does a lot of monitoring over several years. They concentrate efforts on water entering and leaving Antero. They have permanent monitoring stations and CSU helped design the monitoring system. At the Strontia Springs Reservoir they looked at 16 monitoring events spread over high and low flow seasons.

Mr. Spector asked if their monitoring frequency changes after a fire.

Mr. Hale explained that it was event specific.

Mr. Lidov asked if they have 3rd party data available.

Mr. Campbell explained that they do have 3rd party data available through The Collation for the Upper South Platte.

Mr. Spector asked about the Strontia Dredging and if Denver Water tested the completed portion and has it improved the quality of the water.

Mr. Pollock said that they have more operational capability now.

Mr. Lidov asked if the lab services were in-house.

Mr. Hale explained that there is a lot of in-house testing. Some testing is subbed out but they are trying to bring it all in-house and expand to reduce costs. Also evaluating new technologies including online monitoring which can test for certain elements and get an alarm notification if they are exceeding a certain level.

Mr. Spector asked about prescription drugs in the water supply and whether or not that affects the source.

Mr. Campbell explained that they can now see smaller and smaller parts of medicine in the water supply.

Mr. Hale explained that they have a sophisticated detector and testing is done quarterly of effluents.

Mr. Ives pointed out that most of Denver Water's water is upstream and we so not have a lot of effluent.

Mr. Spector mentioned that sometimes the CAC has anti-fluoride groups who visit meetings.

Mr. Hale explained that the fluoride is higher in some areas. It occurs less naturally in Dillon and not as much in the north system. Mr. Pollock explained that they follow the guidelines of the CDC when it comes to fluoride content. .7 milliliters per liter is recommended.

Mr. Spector asked what the biggest challenge in the next few years would be for them. Ms. Brady explained that it would be Watershed assessment plans, the Collation for the Upper South Platte is going to identify threats to water quality and Denver Water needs to figure out what the priorities are in a systematic way. As new regulations keep coming out Denver Water will have to change what they are testing for- need to be ahead of the regulations in order to avoid high costs. Ms. Brady went on to explain that we are not involved in land use planning.

Mr. Spector thanked the group for coming.

CAC BUSINESS -

Customer Emails- the CAC agreed that the new system of emailing comments and concerns was working well. The committee agreed that the responses from Denver Water employees should be consistent, and would like to be copied on all responses sent to the CAC email address instead of receiving the responses in their monthly packets.

CAC Applications- Applications for the Denver Citizens Representative and the Environmental Representative will be posted on the website by early next week. Ms. Long addressed recruiting techniques and suggested that the announcements be passed along to the DCC and Denver INC as well as the Denver Women's Commission. It was decided upon that the Environmental Representative does not have to live inside the Denver city limits. It was also decided that endorsement letters would be appropriate. The CAC agreed that applications would be due back on October 16, 2012 and interviews would be held on November 15, 2012. It was noted by Mr. Spector that Mr. Schlup's second term was coming up. He will need to decide whether he would like to continue to serve as the suburban representative.

The meeting was adjourned at 7:06 p.m.