

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

Open Session

September 28, 2011

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, September 28, 2011 beginning at 9:19 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

H. Gregory Austin, First Vice President
Thomas A. Gougeon, Vice President
Paula Herzmark, Vice President
Penfield W. Tate, III, 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	G. Fisher, <i>Acting</i> Director of Planning
S.C. Covington, Director of Public Affairs	J.A. Anderson, Director of Customer Relations
R. J. Mahoney, Director of Engineering	E.R. Decker, <i>Acting</i> Director of Information Technology
C. Elam-Floyd, Director of Human Resources	G. T. Malmberg, Sales Administrator
T. L. McGuire-Collier, Manager of Community and Media Relations	P. B. Coleman, Manager of Internal Auditing
T. Cristiano, Manager of Rate Administration	M. L. Walker, Attorney
J.A. Landis, Finance	U. Sharma, Treasurer
S. Chesney, Community Relations	S.A. Hall, Community Relations
E.M. Cinchock, Executive Assistant	M.E. Elliott, Manager of Water Conservation
S. N. Niemi, Rate Analyst	K.A. Bates, Attorney

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G. Wilcox, Manager of Budgeting
S. Miller, Manager of Health Care
Administration
K. A. Pollock, Superintendent of Water
Treatment

A. Rettig, Treasury Analyst
W. C. Austin, Manager of Safety and Security

Pat Fitzgerald, Distributors Liaison
Representative, Platte Canyon
Water and Sanitation District and
Southwest Metropolitan Water and
Sanitation District

Duane Tinsley, Southgate Water District

Michelle Troy, Citizen

Adam Johnson, Apartment Association of
Metro Denver

Kelsey Whipple, Westword

Commissioner Austin called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, Commissioner Lucero was found to be absent for substantial cause and was excused.

Commissioner Austin recognized and welcomed Ms. Sally Covington, new Director of Public Affairs and Mr. Duane Tinsley, 20 year Manager of the Southgate Water District.

Commissioner Austin explained that the first order of business would be a briefing regarding the Third Quarter 2011 Budget. Following the budget briefing, the Commissioners would take up the proposed 2012 Water Rates. At that time, the Commissioners would ask for comment from the public.

1. **ITEM 2-A: DISCUSSION AND INFORMATION: THIRD QUARTER 2011 BUDGET UPDATE**

Ms. Wilcox reported projected revenues from the sale of water for the year were expected to be \$3 million below the budgeted amount, although SDC revenues may off-set the revenue shortfall. Although Capital Expenditures to date are

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\$11.1 million under budget, the planned projects are in process, but progressing at a slower rate than originally expected. The current estimate is that end-of-the-year operating expenditures will be approximately \$18 million under budget, however, the savings are temporary as the projects and expenditures will continue into 2012.

2. **ITEM 2-B: ACTION: 2012 WATER RATES**

Mr. Cristiano outlined the 2012 revenue requirements. Mr. Cristiano noted the current 10-Year Capital Plan is estimated at \$1.6 billion and additional revenue will be necessary to meet those future obligations. The goal is to meet the revenue needs with both debt financing and cash reserves. Proposed rate scenarios were discussed with the Board at the August 24 meeting, and the Board directed Staff to develop rates based upon an across-the-board adjustment of 5.5%. Mr. Cristiano then provided information to the Board and the public regarding the impact of the proposed adjustment on typical single family bills, both in the City and County, as well as in Read-and-Bill and Master Meter Districts.

Ms. Bricmont explained the need to revise the rate model which has been in use for a number of years. The goal is to treat 2012 as a transition year. During the remainder of 2011 and into 2012 Denver Water rates personnel and other appropriate staff members will continue to meet with representatives of the Distributors and other interested stakeholders in development of a new model.

Commissioner Austin commented regarding a September 20 meeting with representatives of the Distributors to discuss both the 2012 rates and Denver Water's goals regarding developing the new model. Commissioner Austin opined that, because of the complexity of the rate model, it would be difficult to have it developed by mid-year 2012 if the parties only meet on a monthly basis. Commissioner Austin noted the cost-of-service approach would continue to be used in the model.

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The Commissioners noted that rate increases would continue to be necessary in order to maintain the existing infrastructure and to develop new infrastructure necessary to meet Denver Water's continuing delivery requirements.

Public Comment

Mr. Fitzgerald expressed the appreciation of the Distributors for the on-going meetings with Staff and especially thanked Commissioners Austin and Tate for meeting with the Distributors' representatives on September 20, 2011. Mr. Fitzgerald opined the proposed across-the-board increase created a significant cost shift to outside water users, but expressed the willingness of the Distributors to work with the Board and the Staff to develop new rate methodology. Mr. Fitzgerald expressed the Distributors' desire that Denver Water use the existing model for determination of rates for 2012.

Commissioner Austin thanked Mr. Fitzgerald for his comments. Commissioner Austin asked if there were any further comments from members of the public regarding the rate proposal. There was no further response.

Action

On motion made, seconded and unanimously carried, the Commissioners then approved water rates for 2012 as are more particularly described in Rate Schedules 1, 2, 3, 4, 5, 6, 7, and 8, copies of which are attached to and incorporated in these Minutes as Exhibit "A." The new rates will be effective for meters read on or after January 1, 2012.

3. **ITEM 2-C: DISCUSSION AND INFORMATION: OPEB STUDY (RETIREE MEDICAL PLAN REVIEW)**

Ms. Sharma provided an update of the ongoing review of the Retiree Medical Program, a copy of which is attached to and incorporated in these Minutes as Exhibit "B." Ms. Sharma reported that following the March 23, 2011 meeting the Retirement Program Committee (RPC) working with Denver Water's actuary, Milliman and Associates, had determined potential reductions in actuarial

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accrued liability and annual costs of the proposed alternatives. Ms. Sharma commented regarding health care exchanges and their possible impact on the Retire Medical Program. The Commissioners discussed the need for a transitional period, and asked that the Retiree Medical Benefit Program be included in the discussion for the November study session regarding Denver Water's compensation/benefits program.

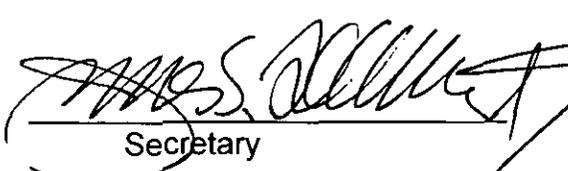
No further business appearing, the Board voted unanimously to adjourn into Executive Session at approximately 10:40 a.m.

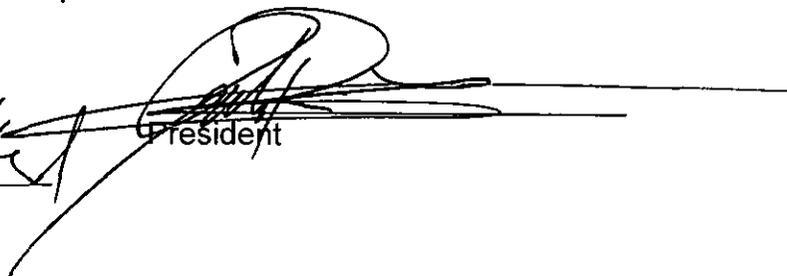
EXECUTIVE SESSION

On Wednesday, September 27, 2011, commencing approximately at 10:45 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matters which are authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34 were discussed during the Executive Session:

1. Contract Negotiations § 24-6-402(4)(e)
2. Personnel Actions § 24-6-402(4)(f)(I)
3. Mediation § 24-6-402(4)(a)(b)&(e)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 12:26 p.m.


Secretary


President