

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

**Open Session**

**May 9, 2012**

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, May 9, 2012 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:

**H. Gregory Austin, President**  
**John R. Lucero, 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	D. L. Little, Director of Planning
S.C. Covington, Director of Public Affairs	J.A. Anderson, Director of Customer Relations
B. D. Good, Deputy Manager of Organizational Improvement	T. Roode, Director of Operations and Maintenance
R. J. Mahoney, Director of Engineering	C. R. Dermody, Director of Information Technology
C. Elam-Floyd, Director of Human Resources	P. B. Coleman, Chief Internal Auditor
M. L. Walker, Attorney	K. A. Bates, Attorney
C. S. Funk, Attorney	B. J. Gogas, Environmental Scientist
M. K. Nealey, Hydraulic Engineer	D. M. Hamm, Staff Analyst
J. M. Ross, Engineer	W. C. Austin, Manager of Safety and Security

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

R. A. Slade, Planner	T. Lowe, Manager of Sales Administration
P. Daukas, Manager of Environmental Planning	J. M. Heath, Engineer
M. Leister, Chief of Construction Management	M.E. Elliott, Assistant Director of Public Affairs – Government, Stakeholder Relations and Conservation
M. T. Berggren, Water Resource Engineer	T. J. Bray, Environmental Scientist
L. R. Dirks, Water Resource Engineer	S. Chesney, Manager of Media and Executive Communications
R. G. Steger, Manager of Raw Water Supply	D. J. Arnold, Attorney
G. Fisher, Manager of Demand Planning	G. C. Berg, Treasury Analyst
A. Rettig, Treasury Analyst	B. Peters, Water Resource Engineer
T. Cristiano, Manager of Rate Administration	S. N. Niemi, Rate Analyst
E. W. Helgeson, Rate Analyst	
Lindsay Anderson, Intern for Commissioner Lucero	

Commissioner Austin called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, the reading of the Minutes of the Regular Meetings of April 11 and April 25, 2012 was dispensed with and such Minutes were approved.

Upon motion regularly made, seconded and unanimously carried, the Minutes of the Executive Sessions of April 11 and April 25, 2012 were approved.

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

#### Public Comment

Commissioner Austin invited members of the public to comment to the Board on any matters not included in the Agenda for the meeting. There was no response.

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 Revised Agenda Item V-A-1 dated May 9, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "A," effective the pay period ending **April 30, 2012** 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 **May 1, 2012**, unless otherwise noted:

**RECORD OF PROCEEDINGS**

---

**MINUTES  
OF THE  
BOARD OF WATER COMMISSIONERS**

<b>Employee Name</b>	<b>Employment Date</b>	<b>Retirement Plan Participation Date</b> <small>Unless otherwise noted^</small>	<b>Division/Section</b>
Amy L. Alexander	03/30/2011	10/15/2011^ (Exclude prior service as temporary status 03/30/2011 to 10/14/2011)	Finance Division Purchasing #130
Kellie M. Balu	07/14/2010	10/15/2011^ (Exclude prior service as temporary status 07/14/2010 to 10/14/2011)	Finance Division Purchasing #130
David M. Brown	10/24/2011	10/24/2011	Operations and Maintenance Division Environmental Compliance #426
Jeffrey J. Bandy	10/12/2011	10/12/2011	Planning Division Water Rights #330

**3. ITEM V-A-3: INTERCONNECT AGREEMENT WITH AURORA WATER**

Approved entering into a Consolidated Agreement for Treated Water Emergency Interconnections between Denver Water and Aurora Water for three existing points of connection between the distribution systems of the two entities, and providing for one or more additional connections, all as more particularly described in the Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "B."

**4. ITEM V-A-4: CONTRACT FOR CLEANING SERVICES FOR DENVER WATER'S ADMINISTRATION AND QUIVAS BUILDINGS**

Authorized award of a contract to American Facility Services Group to furnish cleaning services for the Administration and Quivas buildings for the contract period June 1, 2012 through May 31, 2013, at a cost not to exceed \$160,000.

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

5. **ITEM V-A-5: AGREEMENT FOR LEGAL SERVICES –  
ROTHGERBER, JOHNSON & LYONS, LLP**

Approved an Agreement for Legal Services, retroactive to April 2, 2012, with Rothgerber, Johnson & Lyons, LLP, to represent the Board in a class action lawsuit filed against three major manufacturers of ductile iron pipe fittings, which manufacturers were subject of anti-trust price fixing complaints filed by the Federal Trade Commission, all as more particularly described in the Legal Services Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "C."

6. **ITEM V-A-6: CONTRACT AMENDMENT WITH AMERICAN  
DATAPATH, INC. FOR CABLING SERVICES**

Approved a \$75,000 amendment to the March 8, 2011 contract with American Datapath, Contract 13251A, to provide cable installation services necessary for support of Denver Water's information technology infrastructure, for a total amended contract amount not to exceed \$175,000.

7. **ITEM V-A-7: CONTRACT EXTENSION WITH THE DOYLE GROUP  
FOR SHAREPOINT ADMINISTRATION SERVICES**

Approved extension of the October 20, 2009 Agreement with The Doyle Group, Contract 12632A, for Steve Decker to provide Sharepoint Administration Services through 2013, unless the position is filled at an earlier time by a regular employee, for an additional \$272,000, and a total amended contract amount not to exceed \$720,800.

8. **ITEM V-A-8: CONTRACT FOR THE CONSTRUCTION OF THE WEST  
SIDE COMPLEX ADMINISTRATION BUILDING BOILER REPLACEMENT**

Authorized award of a contract to JCOR Mechanical, Inc., for the West Side Complex Administration Building Boiler Replacement Project, in the amount of \$448,950.

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

9. **ITEM V-A-9: CONTRACT FOR THE CONSTRUCTION OF THE MOFFAT TUNNEL COLLECTION SYSTEM VASQUEZ-ST. LOUIS COLLECTION CONDUIT SIPHON 1 REPLACEMENT**

Authorized award of a contract to HCP Constructors, Inc., for the construction of the Moffat Tunnel Collection System Vasquez-St. Louis Collection Conduit Siphon No. 1 Replacement Project, in the amount of \$599,530.

10. **ITEM V-A-10: CONSTRUCTION MANAGEMENT TASK ORDER AGREEMENT FOR THE MOFFAT TUNNEL COLLECTION SYSTEM – SIPHON NO. 1 CONSTRUCTION INSPECTION SERVICES**

Authorized entering into a Construction Management Task Order Agreement with AECOM Technical Services, Inc., for construction inspection services for the Moffat Tunnel Collection System – Siphon No. 1 Project at a cost of \$115,615.50, all as more particularly described in the Task Order Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit “D.”

11. **ITEM V-A-11: CONTRACT FOR THE PLATTE CANYON DAM SPILLWAY MODIFICATION PROJECT**

Authorized award of a contract to Archer Western Construction, LLC, for the Platte Canyon Dam Spillway Modification Project, at a cost of \$3,248,170.

12. **ITEM V-A-12: FIRST AMENDMENT TO AGREEMENT WITH AECOM TECHNICAL SERVICES, INC. FOR CONSTRUCTION PHASE ENGINEERING SERVICES FOR THE PLATTE CANYON DAM SPILLWAY MODIFICATION PROJECT**

Authorized the First Amendment to the July 17, 2008 Agreement with AECOM Technical Services, Inc., Contract 14058A, to provide construction phase engineering services for the for the Platte Canyon Dam Spillway Modification Project, at a cost of \$115,235, all as more particularly described in the First Amendment to Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit “E.”

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

13. **ITEM V-A-13: CONTRACT FOR THE HAZELTINE RESERVOIR SLOPE IMPROVEMENT PROJECT**

Authorized award of a contract to R. E. Monks Construction Company, LLC for the Hazeltine Reservoir Slope Improvement Project at a cost of \$2,724,600.

14. **ITEM V-A-14: RATIFICATION OF CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified Construction Contract Change Orders and Amendments to Agreements authorized by the CEO/Manager between March and April 2012 as follows:

Change Order No. 1 to Contract 12423A with White Construction Group for the Wynetka Station;

Change Order No. 5 to Contract 12890A with Golden Triangle Construction for the Lakeridge Pump Station Backup Generator Addition;

Change Order No. 2 to Contract 13057A with Garney Construction for the Lone Tree Reservoir Basin No. 2 Project;

Change Order No. 2 to Contract 13200A with Clemens Construction Corp. for the Moffat Water Treatment Plant Headworks Structure CO2 Storage and Feed System Upgrade Project;

Change Order No. 2 to Contract 13419A with Concrete Works of Colorado for the 2011-2012 Vault Modification Project;

Change Order Nos. 2 and 3 to Contract 13466A with Sturgeon Electric Company, Inc., for the Belleview Pump Station Service and Switch Gear Replacement Project;

**RECORD OF PROCEEDINGS**

---

**MINUTES  
OF THE  
BOARD OF WATER COMMISSIONERS**

Change Order No. 1 to Contract 13577A with T. Lowell Construction for the Conduit No. 13 Internal Joint Seal Project;

Amendment No. 2 to Contract 13710A with Gilbert Contracting, Inc., for Phase II Service Line Replacements for the Broadway Improvement Project;

First Amendment to Task Order Agreement 11119Q with Dewberry-Goodkind, Inc., for OMS System updates and edits;

Second Amendment to Agreement 13265A with United Rentals Northwest, Inc., to furnish trench shoring equipment rentals;

Third Amendment to Contract with 11607A with Sempera Professional Services, LLC to provide support for the Board's Enterprise Asset Management Project; and

Ninth Amendment to Master Lease Agreement 13020A with LRC Leasing/Lewan & Associates for additional equipment,

all as more particularly described in the attachment to Agenda Item V-A-14, dated May 9, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "F."

**15. ITEM V-A-15: THIRD AMENDMENT TO FINANCIAL ADVISORY AGREEMENT**

Approved the Third Amendment to the November 8, 2006 Agreement with Piper Jaffray and Co., Contract No. 10617A, to provide additional services required by amendment to the Master Bond Resolution and the issuance of refunding bonds in 2012, at an additional compensation of \$77,000, and a total amended compensation not to exceed \$354,000, all as more particularly

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

described in the Third Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "G."

16. **ITEM V-A-16: AMENDMENT TO TASK ORDER AGREEMENT WITH HDR ENGINEERING FOR BORROW HAUL STUDY**

Approved the First Amendment to Task Order Agreement 11118H with HDR Engineering, Inc., for additional services related to the Borrow Haul Study for the Moffat Collection System Project, for a total amended contract amount of \$112,852, all as more particularly described in the First Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "H."

17. **ITEM V-B-1: AUTHORIZATION FOR THE EXECUTION OF THE COLORADO RIVER COOPERATIVE AGREEMENT**

Approved execution of the Colorado River Cooperative Agreement (CRCA) between Denver Water and seventeen West Slope entities and authorized the signing of related documents at a May 15 ceremony at Hot Sulphur Springs, Colorado, subject to ratification of such related documents at a future Board meeting.

Ms. Wells reported the County Commissioners of Grand and Summit County and officials of the Clinton Ditch and Reservoir Company were planning to attend and sign the CRCA at a May 15 ceremony in Hot Sulphur Springs. Other entities may also attend with the intent to sign implementation agreements. Additionally Grand County has suggested that the parties sign the Learning by Doing Intergovernmental Agreement. Ms. Wells provided the Commissioners with a list of all parties either signing the CRCA or receiving water or funds under the CRCA, which list is attached to and incorporated in these Minutes as Exhibit "I."

The Commissioners and Mr. Lochhead congratulated Ms. Wells and Mr. Little for their herculean efforts, patience and balance in working with the entities and mediator to negotiate the CRCA and its related agreements. The Commissioners noted the five year effort had resulted in a change of relationships and, hopefully, a change in the mindset of Coloradoans in addressing water-related issues.

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

Mr. Lochhead noted the agreement would not be fully executed until the Colorado River Water Conservation District and the middle and lower river entities had signed. The expectation is that as the Green Mountain issues are resolved, the remaining Colorado River water users will authorize execution of the Agreement. Ms. Wells explained the CRCA is not effective until the last party has signed.

18. **ITEM V-B-2: DEFINITION OF MERIT PAYMENTS AS COMPENSATION**

Approved revision to the Personnel Policies, Section 12-2-(3) Merit Payment, to clarify that Merit Payments under the recently-adopted pay-for-performance compensation system should be considered as compensation under the pension plan, which revisions are set forth in their entirety on Exhibit "J," attached to and incorporated in these Minutes.

19. **ITEM V-E-1: RATIFICATION OF SETTLEMENT AGREEMENT**

Approved and ratified action taken by the CEO/Manager to enter into the April 25, 2012 Settlement Agreement with the Centennial Water & Sanitation District resolving issues in Case No. 2004CW121, as more particularly provided in the Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "K."

Mr. Funk reported Denver Water Staff had negotiated with the Centennial Water & Sanitation District to address impacts caused by Denver's exchanges in Case No. 2004CW121. Mr. Funk explained that, although the trial court ruled in favor of Denver's motion regarding its ability to exchange certain substitute supplies, Staff determined to continue forward with execution of the agreement.

Mr. Dirks then provided a brief overview of the 14-year effort undertaken by more than 20 Denver Water employees and consultants to quantify the lawn irrigation return flow amounts. Mr. Dirks explained the effort included development of mapping of groundwater characteristics throughout Denver Water's service area and a water quality analysis. Mr. Dirks opined the

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

quantification effort resulted in an additional yield to Denver Water of between 1700 and 2000 acre-feet per year.

Mr. Funk noted that resolution of outstanding issues regarding the 1940 Contract with the Consolidated Ditches of Water District No. 2 still needed to be achieved. The court bifurcated the hearing on 1940 contract issues to a future date to provide more time for negotiation.

The Staff and Commissioners congratulated the employees who had been involved in the quantification and negotiation efforts on the successful outcome.

20. **ITEM V-E-2: SEVENTH AMENDMENT TO TASK ORDER AGREEMENT WITH WESTON SOLUTIONS, INC. FOR SECURITY MODIFICATIONS AT DILLON DAM**

Approved the Seventh Amendment to the April 9, 2010 Task Order Agreement with Weston Solutions, Inc., Agreement 12518B, extending the date for completion of services to May 31, 2012 and providing a \$69,172.88 credit to Denver Water, all as more particularly described in the Seventh Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "L."

21. **ITEM V-E-3: THIRD AMENDMENT TO AGREEMENT WITH WESTON SOLUTIONS, INC. FOR SECURITY MODIFICATIONS AT DILLON DAM**

Authorized the Third Amendment to the April 27, 2011 Agreement with Weston Solutions, Inc., Contract No. 13593A, extending the date of completion to June 12, 2012 and increasing the compensation by \$43,777 to a total compensation to June 12, 2012 not to exceed \$190,354, all as more particularly described in the Third Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "M."

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

22. **ITEM V–E–4: CHANGE ORDER NO. 3 WITH WHITE CONSTRUCTION GROUP, LTD. FOR SECURITY MODIFICATIONS AT DILLON DAM**

Approved Change Order No. 3 to the April 27, 2011 contract with White Construction Group, Ltd., Contract 13225A, for construction of the security modifications at Dillon Dam, approving an additional amount of \$146,863.07 and extending the contract completion date to January 11, 2012, all as more particularly described in the Change Order, a copy of which is attached to and incorporated in these Minutes as Exhibit "N."

Mr. Austin provided an update to the Commissioners of the Security Modification Project at Dillon Dam. Mr. Austin reported the guard stations, road improvements and other security modifications have been completed and are now fully functional.

23. **ITEM VI–B–2: DISCUSSION AND INFORMATION: STRATEGIC PLAN UPDATE**

Mr. Good provided an update of the four initiatives undertaken as part of the Strategic Plan for 2012: New Pay Plan – Pay-for-Performance; Employer of the Future; New Budget Process; and LEAN.

Mr. Good reported the pay-for-performance initiative began in September 2010, was approved by the Board in August of 2011 and was on target to take effect in 2013. Mr. Good described some of the philosophical questions that have arisen as a result of undertaking the pay-for-performance plan and the distribution of 2011 employee ratings.

Mr. Good reported Employer of the Future discussions are underway and the Executive Team expected to be able to provide a more specific report to the Commissioners regarding the initiative at a future Board meeting.

Mr. Good acknowledged that Mr. Fisher had previously provided updates regarding the progress of the new budget process and quarterly performance updates are scheduled.

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

As a part of the LEAN process, six Rapid Improvement Events had taken place since January and twenty more are scheduled for 2012. As the Rapid Improvement Events are scheduled, more Denver Water employees will become involved in the program.

Mr. Good opined the program has already resulted in major safety improvements and elimination of burdensome processes. Denver Water is starting to track important data which will provide a basis for determining the economic savings of various lean efforts.

24. **ITEM VI-C-1: DISCUSSION AND INFORMATION: WATER SUPPLY UPDATE**

Mr. Steger provided an update of the snowpack in the Colorado and South Platte River Watersheds and forecasted reservoir contents. Because the weather has been extremely dry, the current forecast is the reservoirs will not fill. Mr. Fisher provided an update regarding average daily demand and commented that, although the weather conditions have been extremely dry, Denver Water customers continue to exercise restraint with regard to water use. Ms. Elliott reported customers are asking for additional information to better understand the rules which the Board has enacted, and that Denver Water's outreach has been well accepted.

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

The Commissioners received the report, "Denver Water Investment Portfolio as of April 30, 2012" as set forth in Agenda Item VI-F-1 dated May 9, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "O."

26. **ITEM VI-F-2: DISCUSSION AND INFORMATION: DENVER WATER EMPLOYEES' RETIREMENT PLAN TRUST FUND**

The Commissioners received the report, "Denver Water Employees' Retirement Plan Trust Fund as of March 30, 2012" as set forth in Agenda Item VI-F-2 dated May 9, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "P."

## RECORD OF PROCEEDINGS

---

### MINUTES OF THE BOARD OF WATER COMMISSIONERS

27. **ITEM VI-F-3: DISCUSSION AND INFORMATION: BUDGET STATUS REPORT**

The Commissioners received the 2012 Year-to-Date Budget Status Summary for the period ending April 30, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "Q."

28. **ITEM VI-G: PRESENTATION OF NEW RATE METHODOLOGY/ PUBLIC COMMENTS**

Mr. Cristiano provided an update regarding the rate model review process. Mr. Cristiano opined the collaborative process had successfully addressed complex model issues including full accounting of rate base and contributed capital, clear allocation of operating and capital expenditures, and predictable calculations of the additional amount. Mr. Cristiano described how the proposed new cash basis method of rate setting compares with the previous utility basis and opined that such changes will be well-received by the Distributors because of the collaborative process which had been undertaken. A proposed resolution to adopt the new rate model is planned to be presented to the Commissioners for adoption at its May 23, 2012 meeting. A draft of the resolution will be provided to the Commissioners and the Distributors ahead of the meeting. Although this meeting had previously been described as an opportunity for public comment on the new rate methodology, no member of the public chose to speak at the meeting.

29. **ITEM VI-H-1: SCHEDULING OF FUTURE BOARD MEETINGS**

The Board confirmed a Signing Ceremony will take place for the CRCA on **Tuesday, May 15, 2012** at noon at the Grand County Administrative Center in Hot Sulphur Springs, Colorado.

The Board confirmed a Study Session will take place on **Wednesday, May 23, 2012**, 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.

**RECORD OF PROCEEDINGS**

---

**MINUTES  
OF THE  
BOARD OF WATER COMMISSIONERS**

The Board confirmed the first Regular Meeting in June would take place on **Wednesday, June 13, 2012, at 9:00 a.m.** in the Board Room, Room 309, 1600 W. 12<sup>th</sup> Avenue, Denver, Colorado.

No further business appearing, the Board voted unanimously to recess into Executive Session at approximately 10:53 a.m.

**EXECUTIVE SESSION**

On Wednesday, May 9, 2012, commencing approximately at 10:55 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. Attorney-Client Matters § 24-6-402(4)(b)
2. Negotiations § 24-6-402(4)(e)
3. Confidential Report § 24-6-402(4)(c)

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

  
Secretary

  
President