

# **CAC MINUTES**

## **FOR THE MEETING OF SEPTEMBER 15, 2011**

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**CAC MEMBERS IN ATTENDANCE:** Mel Rettig, Carol Pace, David Spector, Don Schlup, Phil Lidov, Jeff Willis

**ABSENT:** Jim Ives, Barry Hudson, Becky Long, Bruce Hutchins

**GUESTS:** Tim Flynn, Christy Honnen

**DENVER WATER STAFF:** Melissa Elliott, Lurna Kaatz, Mary Hoddinott, Stephanie Niemi, Todd Cristiano, Joe Sloan, Ellen Cinchock

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

The August minutes were approved with one correction and the August agenda was approved without comment.

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

There are two new Division Directors at Denver Water. The new Director of Public Affairs is Ms. Sally Covington, who was previously Deputy Manager of Aviation Marketing and Government Affairs at Denver International Airport. Ms. Julie Anderson is the new Director of Customer Relations, a new division (split from Public Affairs) that consists of Customer Service Field, Customer Care, the Meter Shop, Water Sales, and the Mail room. Ms. Anderson was previously the Manager of Customer Care at Denver Water. Mr. Spector asked who the point of contact for Public Affairs. Ms. Elliott said the decision would be made by Ms. Covington, who starts on September 26, 2011.

Mr. Spector asked why the timing of the review and approval of 2012 Rates was changed. Normally the next year's budget would be reviewed by the Board in July but all Board members could not attend so the meeting was moved to August, shifting the dates for Rates review forward. The Board normally gave a 30 day public notice but this notice was not required. Mr. Spector said the CAC always had a public meeting on rates and this is the first year that they did not have that opportunity.

### **PROPOSED 2012 RATES & SYSTEM DEVELOPMENT CHARGES (Todd Cristiano, Stephanie Neimi) –**

Mr. Cristiano thanked the CAC for the invitation to their meeting. The current rate revenue is unable to meet the needs of Denver Water for upcoming projects. Target reserves are necessary to maintain sound financial ratios and strong credit ratings. The Rates Section did several financial plan scenarios and presented them to the Board. The one scenario, a 5.5% rate increase for all customers – seemed the most favorable. Rate structure design will not change in 2012, as additional water usage data from monthly billing is required. If the Board approves the 5.5% rate increase, it will be an additional \$19.43 annual increase for inside city customers, a \$27.48 annual increase for Read & Bill customers, and a \$34.11 annual increase for Total Service customers. Compared to other local utilities, based on 115,000 gallons of use, Denver Water is in the middle for pricing.

Mr. Schlup met with the Mayor of Greenwood Village earlier today to discuss this issue. Mr. Schlup asked Mr. Cristiano if Denver Water has a sinking fund to prepare for any serious problems. Mr. Cristiano said there are four components for target reserves: Operations & Maintenance, Repair & Replacement, Debt Service, and Self-Insurance. The Treasury Section is reviewing these areas now to see if the current reserve levels are good. Mr. Schlup said the average price per year for watering in Greenwood Village is \$2,700. Mr. Cristiano said the pricing tiers were set in the 1990s and the price ratios were made to encourage conservation. Rate amounts will be higher for larger water users.

Ms. Stephanie Niemi, Rate Analyst II for the Rates Section of Denver Water, gave the System Development Charge (SDC) presentation to the CAC. She explained that SDCs are a one-time fee to connect customers to the Denver Water system. The Board will see two options for 2012: increasing water rights by \$500 per acre foot to \$10,000 per acre foot (3.4% increase) or increasing water rights to \$11,500 per acre foot (8.5% increase). Mr. Spector asked why the amount needs to be increased. Mr. Cristiano said the current amount may be undervalued and needs to be evaluated. Mr. Willis said option #1 would be more preferable because it is only an increase of \$500. Mr. Willis added the rate structure should move with the SDC amount. Mr. Tim Flynn said there are currently 40% SDC discounts for inside city customers. The rates for inside city customers are supposed to pay for Denver Water's reserves but this is not the case due to the discounts. The Board is scheduled to decide on the SDC amounts at the October 12, 2011 Board meeting. Ms. Elliott said the Board will discuss this issue. Volumetrics and assessments of tap fees are being done now, but the process is manual and the location must be followed to ensure water use amounts do not increase per the agreement. Mr. Cristiano said other options will be reviewed in 2013. Mr. Cristiano then thanked the CAC members for their input and the CAC thanked Mr. Cristiano and Ms. Niemi for their presentations.

### **TREATED WATER RELIABILITY (Mary Hoddinott, Lurna Kaatz, Melissa Elliott) –**

Ms. Elliott requested input from the CAC on IRP initiatives. The Integrated Resource Plan (IRP) report will be completed in 2011 and will be available to the CAC for review. A survey is being planned for Treated Water Reliability and Mary Hoddinott and Lurna Kaatz from Planning asked the members of the CAC for their opinions on possible survey questions. Ms. Hoddinott explained system failures occur frequently, but rarely happen during high demand times. There are options to prevent a high demand failure that can range from high cost to low reliability. Planning is going to recommend to the Board to use a blended plan that combines structural improvements with emergency demand reduction.

The main challenge with a system failure is providing rapid communication to our customers. The CAC members recommended using as many avenues as possible to notify customers of a boil order during a system failure. Social media, reverse 911 calls, door notices, and media releases were some of the suggestions given. Mr. Lidov asked if flow restrictions could be made. Ms. Hoddinott said as demand grows that could be an option. Ms. Pace asked if other states were surveyed, Ms. Elliott said they were but the results were negligible. Nevada is looking at ways to control irrigation during an emergency. The members were asked various survey questions and provided their input. The committee recommended sending a bill insert to customers asking for their thoughts on Communication Outreach. The committee thanked Ms. Hoddinott and Ms. Kaatz for requesting the CAC's assistance with their survey.

## **CAC BUSINESS** –

- CAC Representative Term Confirmations
  - Ms. Carol Pace will not seek a second term as a Denver Citizen's Representative. Application requests will be sent out this month, and the committee will review the applications at the October 20 meeting. Interviews for the position will be performed at the November 17 meeting.
- Rates Process
  - CAC members are frustrated with date change for approval of the 2012 Water Rates. This changed shortened the notice period and did not allow the public to comment at the CAC meeting. The committee agreed to discuss public process with the Board members at their quarterly meeting in October.

The meeting was adjourned at 7:03 P.M.