

AGENDA

Denver Board of Water Commissioners

Video Conference: <http://zoom.us/join>, Meeting ID: 917 6924 9955 - Passcode: 892816 or

Dial in (669) 900-6833 - Meeting ID: 917 6924 9955 - Passcode: 892816

Wednesday, October 28, 2020 9:00 a.m.

I. INTRODUCTORY BUSINESS

A. Call to Order and Determination of Quorum

B. Public Comment and Communications

At this point in the agenda, the Board may allow members of the public to address the Board on any item of interest within the jurisdiction of the Board, and not on the agenda for action. Speakers wishing to address a specific Action Item will be invited to address the Board when the item is being considered. Three minutes are allowed for each person unless the President determines otherwise.

1. Distributor Communications
2. Citizen Advisory Committee Communications

C. Ceremonies, Awards and Introductions

II. ACTION ITEMS

A. Consent Items

Items listed below are considered routine and may be enacted by one motion and vote. If any Board member desires discussion beyond explanatory questions, or corrections to the Minutes, the President may order that item to be considered in a separate motion and vote.

1. Tenth Authorization for Additional Funds for Workfront, Inc. – Contract 500906
2. First Amendment to Agreement with Intera Incorporated – Agreement No. 504510
3. Sterling Ranch Recreation Lease – Contract 504628

B. Individual Approval Items

1. Lead Reduction Program Update
a. Restated and Extended Lead Service Line Reimbursement Policy
Alexis Woodrow 15 minutes

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- | | | |
|-------------------------------|----------------|------------|
| 2. Adoption of the 2021 Rates | Fletcher Davis | 10 minutes |
| a. Resolution | | |
| b. Rate Schedules 1, 2 and 3 | | |

III. POLICY MATTERS

- | | | |
|--------------------------------------|----------------|------------|
| A. Northwater Treatment Plant | Pete McCormick | 15 minutes |
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IV. EXECUTIVE UPDATE

- A. CEO Update**
- B. CFO Update**
- C. Operations Update**

V. BRIEFING PAPERS & REPORTS

- A. Briefing Paper**
- B. Report**

VI. ADJOURNMENT

VII. TRUSTEE MATTERS

VIII. EXECUTIVE SESSION

The Board may adjourn the regular meeting and reconvene in executive session on topics authorized by D.R.M.C Sec. 2-34.

- A. Confidential Report**

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2020

Board Item: II-A-1

Tenth Authorization for Additional Funds for Workfront Inc. Contract 500906

Action by Consent

Individual Action

Purpose and Background:

This Tenth Authorization for additional funds for Workfront would extend the current contract by one year and add funds for product support and renewal of existing software licenses.

Workfront is a web-based work and project management software that features enterprise work management, issue tracking, resource management, capacity planning, time tracking and portfolio management. It was purchased by Denver Water in 2014 and is now used in variety of ways throughout the organization. Current uses include:

- IT work request submissions, updates, monitoring, and metrics.
- IT project management planning, tracking, and reporting.
- Creation and tracking of work requests and projects across the organization, for example: Lead Reduction Program, CAD Team in Engineering, Physical Security, New Hires, Offboarding and GIS.
- IT and the EPMO use Workfront to perform annual capacity planning for budget development.

An informal review of two competitive software products was conducted in September 2019. An option with similar functionality was substantially more expensive than Workfront and a second company was unable to provide adequate maintenance and support for their software. However, with the evolution of the EPMO and potential future uses of project management software, we will need to re-evaluate business needs, vendors and products over the next couple years.

Budget and Schedule:

This tenth authorization would extend the current contract one year, to December 29, 2021, for an additional \$148,050.74. This would bring the total contract amount to \$837,699.89. The proposed 2021 budget for Information Technology contains sufficient funds to pay the \$148,050.74 needed in 2021.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended that the Board approve the Tenth Authorization to Contract 500906 with Workfront Inc. for an extension of the contract period through Dec. 29, 2021, adding \$148,505.74 for annual licensing and support, for a total amended contract amount not to exceed \$837,699.89.

Approvals:

- James S. Lochhead, CEO/Manager
- Julie Anderson, Chief of Staff
- Jessica R. Brody, General Counsel
- Angela C. Bricmont, Chief Financial Officer

- Brian D. Good, Chief Administrative Officer
- Mike King, Chief External Affairs Officer
- Robert J. Mahoney, Chief Engineering Officer
- Thomas J. Roode, Chief Operations Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2020

Board Item: II-A-2

First Amendment to Agreement with Intera Incorporated Agreement No. 504510

Action by Consent

Individual Action

Purpose and Background:

Denver Water retained Intera Incorporated under Agreement No. 504510 to conduct a confidential water needs analysis for certain water rights cases. Following initial consultations with the Office of General Counsel and Water Resource Strategy, Intera will develop modeling and other work product to support current and anticipated litigation.

Budget and Schedule:

The amendment amount of this contract is \$449,931, and the term of the contract is June 24, 2020 to January 1, 2023. Funds for this service/contract will come from the 2020 budget, which has sufficient funds to pay the \$100,000 estimated to be needed in 2020. The remaining \$349,931 will be budgeted in years 2021 and 2022.

Selection of Business Partner:

In the spring of 2020, Denver Water's Office of General Counsel distributed a request for statements of qualifications to eleven firms. A total of five firms submitted statements of qualifications. The Office of General Counsel then issued a request for proposals to the five firms. Four of the five firms submitted proposals and all four firms were interviewed. This is the first agreement Denver Water has had with Intera.

The parties contemplated that Intera would conduct a preliminary assessment and develop a workplan and that if the workplan was acceptable, the contract would be amended to allocate additional funds for implementation of agreed upon tasks.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended that the Board approve the First Amendment to Agreement No. 504510 with Intera Incorporated for an addition of \$449,931 for a total amended contract amount not to exceed \$494,931.

Approvals:

- James S. Lochhead, CEO/Manager
- Julie Anderson, Chief of Staff
- Jessica R. Brody, General Counsel
- Angela C. Bricmont, Chief Financial Officer

- Brian D. Good, Chief Administrative Officer
- Mike King, Chief External Affairs Officer
- Robert J. Mahoney, Chief Engineering Officer
- Thomas J. Roode, Chief Operations Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2020

Board Item: II-A-3

Sterling Ranch Recreation Lease Contract 504628

Action by Consent

Individual Action

Purpose and Background:

Denver Water owns a 100 foot wide piece of property that runs through the Sterling Ranch development in Douglas County. The property contains conduits that transport water to the metro region for distribution. The Sterling Ranch Community Authority Board has requested to use the property for soft surface trails that transect the development. The trail generally follows the old maintenance road that travels over the property and will fit into the development plan at Sterling Ranch.

Allowing the recreational trails over the conduits allows the development to provide recreation and open space within the development, a requirement of Douglas County. Denver Water benefits by having the trail and vegetation within the property maintained by Sterling Ranch.

The proposed lease would require Sterling Ranch to maintain the surfacing and the existing vegetation and does not allow for any other permanent structures to be built on Denver Water property.

Budget and Schedule:

There is no budgetary impact for this item as this is a no-cost lease.

Recommendation:

It is recommended that the Board approve Contract 504628 for a ten-year recreational trail lease with the Sterling Ranch Community Authority Board.

Approvals:

- James S. Lochhead, CEO/Manager
- Julie Anderson, Chief of Staff
- Jessica R. Brody, General Counsel
- Angela C. Bricmont, Chief Financial Officer

- Brian D. Good, Chief Administrative Officer
- Mike King, Chief External Affairs Officer
- Robert J. Mahoney, Chief Engineering Officer
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DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2020

Board Item: II-B-1

Restated and Extended Lead Service Line Reimbursement Policy

Action by Consent

Individual Action

Purpose and Background:

The Restated and Extended Lead Service Line Reimbursement Policy Resolution extends the Board's temporary policy providing for partial reimbursement of customers and developers who replace lead service lines (LSL) independently of Denver Water's Lead Reduction Program (LRP).

On January 22, 2020, the Board adopted a resolution establishing a temporary lead service line reimbursement policy for 2020 to test customer and developer interest in partial reimbursements for replacement of lead service lines on a voluntary basis, or pursuant to requirements under Denver Water Operating Rules. The resolution extends the policy providing for partial reimbursements at a rate of \$3,800 per line. As in the original resolution, eligibility will continue to be limited to those customers who are not scheduled to have their LSLs replaced under the LRP in the near future and are not in an area that is subject to a street paving moratorium for recently paved streets. An exception to these restrictions applies for homeowners and developers who are required to replace an LSL under Denver Water Operating Rules. If customer interest exceeds budgeted amounts, the resolution directs staff to create a first-come, first-served wait list.

Budget and Schedule:

Each year during the life of the Lead Reduction Program, Denver Water will budget an annual amount for reimbursements under the lead service line reimbursement policy. For 2021, Denver Water will budget a total amount of \$1,000,000.

Recommendation:

It is recommended that the Board adopt the restated and extended lead service line reimbursement policy.

Approvals:

- | | |
|---|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input checked="" type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

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RESTATED AND EXTENDED LEAD SERVICE LINE REIMBURSEMENT POLICY

ADOPTED AND APPROVED ON OCTOBER 28, 2020 BY THE CITY AND COUNTY OF DENVER ACTING BY AND THROUGH ITS BOARD OF WATER COMMISSIONERS

H. Gregory Austin, Board President

James S. Lochhead, CEO/Manager

The Board of Water Commissioners finds that:

- A. On December 16, 2019, the U.S Environmental Protection Agency (EPA) granted Denver Water a variance from the Safe Drinking Water Act's corrosion control treatment requirements under the Lead and Copper Rule.
- B. Under the variance, Denver Water implemented a comprehensive Lead Reduction Program (LRP). The LRP involves several elements, including the replacement of all lead service lines (LSL's) within fifteen years at no out-of-pocket cost to customers other than through rates.
- C. Pursuant to the variance, Denver Water will be replacing LSL's using a carefully planned schedule (scheduled LSL replacements) developed annually using inputs such as in-home lead levels, socio-economic data, and other pertinent information.
- D. On January 22, 2020, the Board adopted a resolution establishing a temporary lead service line reimbursement policy for "unscheduled LSL replacements," meaning LSL replacements by customers and developers who desire to replace their LSL's on a voluntary basis or to comply with Denver Water Operating Rules.
- E. Under the January 22, 2020 Resolution, the Board authorized eligible customers to be reimbursed up to \$3,800 for the replacement of lead service lines on a voluntary basis or as required by Denver Water Operating Rules.
- F. During 2020, Denver Water customers demonstrated an interest in seeking reimbursement under the 2020 Resolution.

Adopted by the Board on October 28, 2020

Based on the foregoing findings, the Board:

1. Extends the LSL Reimbursement Policy adopted by the Board on January 22, 2020.
2. Directs staff to reimburse customers and developers for unscheduled LSL replacements at an amount of \$3,800 per LSL replacement.
3. Directs staff to create a first-come, first-serve waitlist, if customer demand for unscheduled LSL replacements exceeds budgeted funds.
4. Directs staff to evaluate customer demand for reimbursement for unscheduled LSL replacements, and make adjustments to future budgeted amounts.
5. Requires that to be eligible for reimbursement, customers must apply in advance of replacing their LSL's, and determines that a customer is not eligible for LSL reimbursement if:
 - a. The customer is scheduled to have the LSL replaced under the LRP in the current calendar year, or in the next calendar year based on Denver Water's most recent forecast for the upcoming year.
 - b. The replacement of the LSL would conflict with the City and County of Denver and other local jurisdictions' paving moratoriums for recently paved streets.

The restrictions in 5.a.-b. shall not apply to replacements required under Denver Water Operating Rules.

Adopted by the Board on October 28, 2020

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2020

Board Item: II-B-2

Proposed Resolution for Approval of the 2021 Rate Schedules and Allocation of Denver Water's Lead Reduction Program Costs

Action by Consent

Individual Action

Purpose and Background:

The proposed Resolution for Approval of the 2021 Rate Schedules and Allocation of Denver Water's Lead Reduction Program Costs provides for the adoption of the 2021 rate schedules and allocation of rates between Denver Water inside the city and outside the city customers for potable water.

The rates represent a 1.5% increase overall to rate revenues for 2021 and are designed to recover increased costs associated with the Lead Reduction Program (LRP). The preliminary financial plan with proposed revenue adjustment options was presented to the Board on July 22, 2020, and the proposed rates had their first reading at the September 23 Board Meeting.

This proposed increase of 1.5% is lower than some of the other revenue adjustment scenarios presented to the Board in July to balance the impacts of the COVID-19 pandemic on Denver Water customers with the importance of funding the Lead Program. Because the 1.5% increase is specifically associated with the LRP, Denver Water staff undertook a different cost allocation approach in conjunction with the Distributor Rates & Fees Technical Advisory Committee (TAC). The cost allocation framework, which was presented at the September 23 Board Meeting, is for 2021 only and is based on the location of distribution lines between the inside the city and outside the city service areas. The result is that 71% of the 1.5% overall rate revenue increase will be recovered by inside the city customers, while the remaining 29% of the increase will be recovered by outside the city customers.

In addition to Board presentations, the financial plan was presented at the Distributor Forum on August 18 and to the Citizens' Advisory Committee on August 20. To satisfy the 35-day notice period required for any changes to rates and fees, these proposed rates were initially presented to the Board on September 23, 2020.

Budget and Schedule:

The 2021 revenue requirement totals \$613 million, consisting of operation and maintenance expenses, rate-funded expansion capital, repair and replacement capital, and debt service. The revenue requirement is met from rate revenue, bonds, miscellaneous revenue, and cash reserves. The requested rate revenue increase of 1.5% in 2021 is needed to meet the revenue requirement from rates of \$312.7 million in 2021.

Recommendation:

Staff recommends the Board adopt the proposed resolution for approval of the 2021 Rate Schedules and allocation of Denver Water's Lead Reduction Program Costs designed to meet the financial needs of Denver Water as forecasted by the financial plan.

Approvals:

- | | |
|---|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

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**APPROVAL OF THE 2021 RATE SCHEDULES AND ALLOCATION OF DENVER WATER'S
LEAD REDUCTION PROGRAM PLAN COSTS**

ADOPTED AND APPROVED ON OCTOBER 28, 2020 BY THE CITY AND COUNTY OF
DENVER ACTING BY AND THROUGH ITS BOARD OF WATER COMMISSIONERS

H. Gregory Austin, Board President

James S. Lochhead, CEO/Manager

The Board of Water Commissioners finds that:

- A. The ongoing COVID-19 pandemic has had significant adverse economic hardships on Denver Water customers in all rate classes, as well as on the City and County of Denver and Denver Water distributors. In furtherance of the Denver Water financial plan, the Board would, in the normal course of business, have expected to adopt an overall rate revenue increase of at least 3% in 2021. However, in view of these economic hardships, the Board finds a lower rate revenue increase is warranted.
- B. On December 16, 2019, the U.S. Environmental Protection Agency (EPA) issued Denver Water a variance to implement its Lead Reduction Program (LRP) in lieu of orthophosphate treatment as an “alternative treatment technique” under the Safe Drinking Water Act’s corrosion control treatment requirements.
- C. Under the LRP, Denver Water is:
 - i. Implementing an accelerated lead service line replacement program beginning January 2020 to replace 7% of the lead service lines within Denver Water’s service area each year so that all lead service lines are replaced within 15 years;
 - ii. Developing a lead service line inventory to identify and track lead service line replacements;
 - iii. Implementing a lead removal filter program for homes with lead service lines and certain homes with copper pipe and lead solder;
 - iv. Operating increased pH alkalinity adjustment for corrosion control treatment; and
 - v. Implementing a communications, outreach and education plan.
- D. As an alternative treatment technique, the LRP is a distribution system cost to be recovered from Denver Water potable water customers. This is a significant additional cost burden in addition to the ongoing and escalating operational and capital costs

Adopted by the Board on October 28, 2020

necessary to serve Denver Water's customers. However, continued implementation of the LRP is clearly in the best interest of the public health of the customers served by Denver Water.

- E. A rate revenue increase of 1.5% is required to recover the costs of the LRP in 2021. It is also less than the 3% the Board would expect to have adopted in normal circumstances, considering the impacts of the COVID-19 pandemic. The proposed 2021 rate allocation:
 - i. Recognizes the baseline cost of service allocation of the 2020 rates in effect;
 - ii. Follows industry standard methods of cost allocation;
 - iii. Does not cause inside the city retail water rates to exceed rates for equivalent outside-city water rates;
 - iv. Assigns less LRP costs overall to outside the city customers than inside the city customers while still assigning a greater responsibility for LRP costs to outside the city customers than the proportion of lead service lines located outside the city in recognition of the regional public health benefits and wastewater system cost avoidance;
 - v. Maintains Denver Water flexibility in its treatment of drinking water; and
 - vi. Would have a negligible effect on inside city and outside city water bills.

- F. Denver Water Staff collaborated with distributors in developing the rate allocation, reviewing and considering numerous allocation alternatives to distribute costs to different service types and locations.

- G. The proposed rate allocation is consistent with the Board's Rate Resolution previously adopted on December 14, 2016. In the December 14, 2016 Resolution, the Board determined that the cost multiplier of 19% for outside the city customers represents a fair and equitable method to compensate the inside the city customers for assuming the responsibility for serving customers outside the city. This allows the Board to continue to fulfill its duty under the Charter to include an additional amount in rates charged to outside the city customers.

- H. The proposed rates for recovery of LRP costs and the rate allocation are consistent with sections 10.1.9, 10.1.10, 10.1.12, 10.1.13, and 10.1.14, of the Charter of the City and County of Denver.

Based on the foregoing findings, the Board:

- 1. Directs Denver Water staff to allocate a 1.5% rate revenue increase required for 2021 treated water rates based on the distribution system cost allocation, including the 19% multiplier for outside the city customers, resulting in an allocation of such revenue increase as 71% to inside the city customers and 29% to outside the city customers.

Adopted by the Board on October 28, 2020

2. Adopts Rate Schedule 1 for Treated Water 2021 rates, Rate Schedule 2 for Nonpotable 2021 rates, and Rate Schedule 3 for City and County of Denver Governmental 2021 rates.
3. Directs staff to continue to collaborate with distributors to identify and evaluate a fair and equitable assessment of rates for 2022 for inside and outside the city customers recognizing the LRP as treatment costs.

Adopted by the Board on October 28, 2020