

**RECORD OF PROCEEDINGS  
MINUTES  
of the  
Board of Water Commissioners**

Denver Water Administration Building  
1600 West 12<sup>th</sup> Avenue  
Denver, CO  
Board Room, Third Floor

**Wednesday, October 25, 2017**

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**Open Session**

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, October 25, 2017, beginning at 9:00 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:

**Paula Herzmark, President**  
**John R. Lucero, First Vice President**  
**H. Gregory Austin, Vice President**  
**Gary M. Reiff, Vice President**  
**Craig Jones, Vice President**

Board employees and others present during portions of the meeting were:

S. Abram, <i>Acting</i> Chief Financial Officer	J. Mahaffey, Communication Specialist
J.A. Anderson, Chief of Staff	J. Martin, Project Engineer
G. Cagle, Chief Human Resources Officer	P. McCormick, Engineer Sr.
C.R. Dermody, Chief Information Officer	M. Nealey, Engineer Sr.
B.D. Good, Chief Administrative Services Officer	G. Rosenschein, Attorney
M. King, Chief External Affairs Officer	J. Ross, Engineer Sr.
J.S. Lochhead, CEO/Manager	L. Schulz, Customer Relations Manager
R.J. Mahoney, Chief Engineering Officer	J. Seagren, Distribution Relations Manager
T.J. Roode, Chief Operations and Maintenance Officer	D. Shable, Engineer Sr.
P.L. Wells, General Counsel	U. Sharma, Treasurer
A. Antolovich, Engineering Manager	J. Shaw, Community Relations Sr. Specialist
A. Chavez, Contract Specialist	S. Snyder, Communication Sr. Specialist
C. Clark, Engineer	J. Tejral, Public Affairs Manager
	R. Wirth, Finance Supervisor
	O. Bannon, Western Resource Advocates

***Denver Water aspires to be the best water utility in the nation.***

Integrity :: Vision :: Passion :: Excellence :: Respect



P. Coleman, Chief Internal Auditor  
F. Davis, Rates Manager  
R. DeCoursey, Finance Sr. Analyst  
S. Dominick, Engineer Sr.  
G. Fisher, Demand Planning Manager  
M. Garfield, Customer Relations Manager  
D. Hamm, Division Analyst  
Y. Her, Procurement Manager  
J. Kearns, Contract Specialist  
K. Knoll, Public Affairs Manager

N. Cudahy, Green Mountain Water & Sanitation District  
L. Ferguson, Trammell Crow  
P. Fitzgerald, Platte Canyon Water & Sanitation District  
D. Kuntz, Mortenson  
C. Lane, Platte Canyon Water & Sanitation District  
A. Stevens, Gallagher  
M. Sullivan, Trammell Crow

## INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:17 a.m.

### Public Comment and Communications

Commissioner Herzmark issued an invitation to members of the public to comment to the Board on any matters not included in the Agenda for the meeting. There was no response.

### Introductions, Awards and Ceremonies

Ms. Abram informed the Board that Ms. Sharma has accepted a one-year term on the South Metro Denver Chamber Board of Directors. This will provide a great opportunity for Denver Water to be even more engaged and connected with communities outside of Denver and to connect with their leaders on mutually important issues. Commissioner Herzmark congratulated Ms. Sharma on behalf of the Board, and thanked her for her continued service to Denver Water.

Mr. King notified the Board of two personnel changes in his division: the promotion of Mr. Bennett to the position Director of Water Resources Strategies; and the promotion of Ms. Elliot to the position Director of Public Affairs.

## ACTION ITEMS

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 II-A-1: RATIFICATION OF AMENDMENTS TO NON-CONSTRUCTION CONTRACTS/AGREEMENTS**

Ratified Construction Contract Change Orders, Amendments, and Amendments to Agreements authorized in the Third Quarter of 2017, as follows:

- a. 22<sup>nd</sup> Authorization for Additional Funds for Contract 04312A with Oracle America, Inc.;
- b. 20<sup>th</sup> Authorization for Additional Funds for Contract 05261A with Informatica Corporation;
- c. 10<sup>th</sup> Authorization for Additional Funds for Contract 11431A with Oracle America;
- d. Fifth Authorization for Additional Funds for Contract 13396A with Qwest;
- e. Third Authorization for Additional Funds for Contract 15013B with AssetWorks;
- f. Third Amendment to Contract 15920A with AM Duncan Consulting, LLC;
- g. Second Amendment to Contract 16473B with Grant Thornton, LLP
- h. Second Authorization for Additional Funds for Contract 16952A with Summit Partners;
- i. First Amendment to Contract 16987A with Habcon Services, Inc.; and
- j. Eighth Amendment to Contract 11278A with Iron Mountain Information Management, LLC,

all as more particularly described in the attachment to Agenda Item ITEM II-A-1.

**2. ITEM II-A-2: SOUTH BOULDER DIVERSION CONDUIT FLUME NO. 6 CONCRETE REPAIRS CONTRACT 17248A**

Approved Contract 17248A with Harrison Western Construction Corporation, Inc. for the South Boulder Diversion Conduit Flume No. 6 Concrete Repairs

project for the contract period of October 25, 2017 through January 6, 2018, for a total contract amount not to exceed \$420,405.77.

**3. ITEM II-A-3: ELECTRONIC PAYMENT PROCESSOR – CONTRACT 17169A**

Approved Contract 17169A with Paymentus for electronic payment processing services for the contract period of November 1, 2017 through March 31, 2023, for a total contract amount not to exceed \$5,000,000.

**POLICY MATTERS**

**4. ITEM III-A OCR UPDATE**

The Board received an OCR Update, a copy of which is attached to and incorporated in these Minutes as Exhibit A. Mr. Ferguson noted that Mortenson has completed 68% of the punch list items for WP #4 of Phase I and is working to complete remaining punch list items prior to Final Completion. The Conduit 18 relocation inside the Denver Water property line is approximately 70% complete. Demolition of Buildings 1, 2, 3, and 7 is underway and expected to continue throughout November. With regard to Phase II, construction documents for the renovation of Three Stone were published on October 13, 2017, and are being submitted for building permit. \$88.78M (or 45%) of the Total Project Budget has been committed to date. In addition the construction MWBE target goal of 18% (\$29.5M) is currently being exceeded.

In response to a question from Commissioner Herzmark, Mr. Ferguson stated that there will be very little, if no potential for growth in the new administration building, as the project is very lean.

In response to a question from Mr. Lochhead about soil remediation, Mr. Ross explained that the budgeted and remaining contingency funding will cover future anticipated soil remediation. Mr. Lochhead informed the Board that Colorado Department of Public Health and Environment (CDPHE) has not handled Denver Water's application for a permit for the Water Recycling System (WRS) in a timely manner, and that he anticipates the need to communicate with CDPHE leadership regarding the delay.

**5. ITEM III-B NORTHWATER TREATMENT PLANT UPDATE**

The Board received an update of the Northwater Treatment Plant project, a copy of which is attached to and incorporated in these Minutes as Exhibit B.

Mr. McCormick noted that the plant is currently designed to treat 150 mgd, and with operational changes can treat an additional 20-40 mgd. With additional structures, there is space to increase treatment capacity by an additional 50-100 mgd.

Commissioner Lucero asked when bidding on the project might begin, and expressed concern about estimated project costs given the high amount of construction occurring in the Denver area and attendant high cost of labor. Mr. McCormick stated that that some bids may be released within the next six months, while others may be released as late as 2019.

Mr. Clark presented the Board with four concepts for achieving energy independence and sustainability relative to the power needs of the new plant. The concepts range from a traditional connection to Xcel's power supply with no use of renewable energy sources, to an independent microgrid that would allow the plant to be entirely independent from the power grid. After analyzing the concepts, staff recommends the "Net Producer" model, which would include hydro turbines, a connection to Xcel, and a diesel generator for back-up energy supplies. The hydro turbines would produce enough energy during the shoulder months and summer to allow Denver Water to sell power back to Xcel. In other months, the plant would draw on power from Xcel as necessary. While the traditional Xcel only model is the least expensive, the Net Producer model is the most cost effective way to decrease energy dependence and be more sustainable.

Commissioner Herzmark asked if any Board member objected to the recommendation, and there was no objection.

## **6. ITEM III-C                    2018 PROPOSED RATES**

The Board received a presentation regarding proposed 2018 water rates, a copy of which is attached to and incorporated in these Minutes as Exhibit C. Mr. Davis briefly reviewed the rate setting process, and explained his recommendation that the fixed charge be increased slightly, from \$11.86 for a ¾" meter to \$15.39. He stated that this fixed charge is in line with other fixed charges in the region. At the request of Commissioner Lucero, Mr. Davis stated he would provide the Board with a comparison of regional fixed charges. Commissioner Reiff inquired about the logic behind moving from a volumetric based rate to a fixed charge, expressing concern about the impact of a higher fixed charge on lower income customers. Mr. Davis explained that the new 15%

fixed charge insulates Denver Water from revenue fluctuations based on weather. It also sends the message that we are providing a service, not just a commodity in that customers are able to turn on their taps and get water 24 hours a day. Staff is analyzing the potential impact of the higher fixed charge on conservation behavior.

Mr. Lochhead noted that Denver Water's 7% fixed charge was well below the average, in that most utilities collect 30 to 40% through fixed charges.

The 2018 proposed rates, including the increased fixed charge, and an overall increase of 3%, will be brought to the Board on November 15, 2017.

## **7. ITEM III-D WATER EFFICIENCY PLAN – POLICY QUESTIONS**

The Board received the Water Efficiency Plan – Policy Recommendations, a copy of which is attached to and incorporated in these Minutes as Exhibit D. The plan supports the Board's objective of having a visionary, adaptable, long-range planning approach that considers the challenges of a warming climate, while ensuring diversity in supply and delivery, and efficiency in water use. The plan moves the focus away from asking all customers to conserve water and toward the most inefficient water users. It incorporates water efficiency benchmarks to be used to provide efficiency recommendations to specific customers who would most benefit from changing their water use. The cost of implementing the program is estimated to be \$4,000/AF, representing approximately a 25% reduction in the previous 10-year conservation plan, and at least a 70% cost advantage over new water rights.

Discussion was had regarding the impacts of the recommended benchmarks, which Commissioner Austin noted were ambitious and possibly difficult to achieve. Mr. Lochhead explained that the program would be very targeted, at the individual customer level, and would be entirely voluntary. Given the level of growth in the Denver area, this water efficiency plan may prevent the need to implement mandatory water savings. Commissioner Herzmark suggested that with all the new residents in Denver, Denver Water may still need an advertising campaign such as "Use Only What You Need" to create a conservation culture.

**EXECUTIVE UPDATE**

**8. ITEM IV-C: OPERATIONS UPDATE**

Ms. Anderson reported that Commissioner Austin had inquired as to Denver Water’s sexual harassment training for employees, and stated that all employees are required to take an on-line course, which will also be made available to the Commissioners.

**BRIEFING PAPERS & REPORTS**

**9. ITEM V-A: WATER EFFICIENCY PLAN – POLICY RECOMMENDATIONS**

The Board received a Briefing Paper entitled Water Efficiency Plan – Policy Recommendations, a copy of which is attached to and incorporated in these Minutes as Exhibit E.

**ADJOURNMENT**


No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:20 a.m.

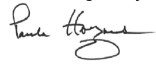
**EXECUTIVE SESSION**

On Wednesday, October 25, 2017 , commencing approximately at 11:20 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)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 12:05 p.m.

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**Secretary**

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**President**