



*Photo: Richard Lewis, Denver Water*

*Gross Reservoir, Winter 2006*

## **Comprehensive Annual Financial Report**

**For the year ended December 31, 2006  
Denver, Colorado**

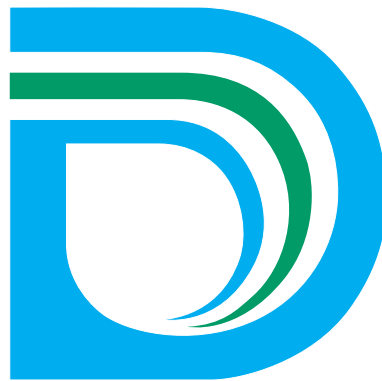


**DENVER WATER**

The City and County of Denver has determined under Governmental Accounting Standards Board Statement No. 14 that its relationship with Denver Water is such that Denver Water's financial statements should be included as a "Component Unit" in the City's Comprehensive Annual Financial Report. Under the Denver City Charter, Denver Water is a legally separate and distinct legal entity from the City and County of Denver and the City and County is not financially accountable for Denver Water.

# DENVER WATER

## Comprehensive Annual Financial Report



# DENVER WATER

For the year ended December 31, 2006  
Denver, Colorado

Prepared by the Accounting Section  
of the Finance Division

The City and County of Denver has determined under Governmental Accounting Standards Board Statement No. 14 that its relationship with Denver Water is such that Denver Water's financial statements should be included as a "Component Unit" in the City's Comprehensive Annual Financial Report. Under the Denver City Charter, Denver Water is a legally separate and distinct legal entity from the City and County of Denver and the City and County is not financially accountable for Denver Water.

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# INTRODUCTORY SECTION



# DENVER WATER

May 1, 2007

To the Board of Water Commissioners and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report (“CAFR”) of Denver Water for the year ended December 31, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BKD, LLP, Certified Public Accountants, has issued an unqualified (“clean”) opinion on Denver Water’s financial statements for the year ended December 31, 2006. Grant Thornton, LLP has issued an unqualified opinion for the year ended December 31, 2005. The independent accountant’s report is located at the front of the Financial Section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent accountant’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of Denver Water**

The privately owned Denver City Water Company was organized in November 1870. It was merged into the Denver Union Water Company in October 1894, along with several smaller companies serving various parts of a growing Denver. In November 1918, the five-member governing board of the Denver Water Department purchased the company for the citizens of the City and County of Denver (“City”). The Denver Water Department was set up as an independent City water agency, with the philosophy that it would be operated as a business and remain separate from political influences.

Denver Water is governed by a five-member Board of Water Commissioners (the “Board”) appointed by the Mayor of the City for overlapping six-year terms. Denver Water has complete charge and control of a water works system and plant, which supplies water to customers located within the City and to entities serving other customers located in certain outlying areas in the Denver metropolitan area. Also, as a byproduct of water operations, Denver Water operates six hydropower plants which generate power for sale to Xcel Energy and Tri-State Generation and

Transmission Association, for internal consumption and for repayment to the Department of Energy for power interference.

In accordance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," Denver Water would be classified as 1) an "other stand-alone government" since Denver Water is a legally separate and distinct entity from the City under the Charter of the City, and the City is not financially accountable for Denver Water, and 2) a "related organization" since the Mayor of the City appoints Denver Water's governing body, but is not financially accountable. However, the City has elected to include Denver Water's financial statements in the City's financial statements as a component unit enterprise fund because, in the City's opinion, the nature and significance of Denver Water's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Mission of Denver Water is as follows:

*Denver Water will provide our customers with high quality water and excellent service through responsible and creative stewardship of the assets we manage. We will do this with a productive and diverse work force. We will actively participate in and be a responsible member of the water community.*

Although Denver Water is not legally required to adopt budgetary accounting and reporting, the annual budget serves as the foundation for Denver Water's financial planning and control. The budget process involves:

- Long Range Planning  
Denver Water maintains long-range (10 years) capital, operation and maintenance, and financial plans that are updated annually.

The Ten-Year Capital Plan projects additions, improvements, and replacements to water system facilities, based on projected demands for water, Federal and State regulations, and ongoing system requirements. It is used as the basis for projecting the annual Capital Work Plan.

The Ten-Year Operation and Maintenance Plan includes the ongoing costs of operating and maintaining the water system and the impact of the Ten-Year Capital Plan on operations.

The Ten-Year Financial Plan projects compliance with debt covenants and the year-end targeted investment balance. Alternative financial plans that address estimated revenue shortfalls are also projected as a part of the long-range planning effort.

- Annual Work Plan Budgets  
The detailed annual work plan budgets for operation and maintenance activities, debt, and capital projects are developed during the budget process each year. These budgets are substantially based on the budget year projections provided by the long-range plans. These work plans itemize the cost of activities and projects within each program.



- Annual Budget Preparation

The annual budget is prepared on a program budget basis that follows the flow of water from the sources of raw water to customers' taps and cuts across organizational boundaries. The focus is first on what Denver Water as a whole is doing (what our resources are used for), then on organizational structure (the divisions and sections expending the resources), and then by type of expenditures (what types of resources – payroll, services, etc., are being used). The intent of this particular format is to facilitate the reader's understanding of how we are accomplishing our mission to serve our customers needs in the past, present and future.

## **Factors Affecting Economic Condition**

The information displayed in the financial statements presents Denver Water's current *financial position*, i.e., its *existing* resources and claims on those resources. The following information is provided to help assess Denver Water's *economic condition*, i.e., both existing and *future* resources and claims on those resources. Stated differently, economic condition reflects not only today's financial position, but also the prospects that today's financial position will improve or deteriorate.

### **Local Economy**

The City is the center of economic activity in the region, serving as a business, recreational, higher educational and cultural hub. Major features of the economy include the central business district, state capital, Denver International Airport, extensive library facilities, several professional sports teams, institutions of higher learning, and numerous museums and other cultural facilities. The economy of the metropolitan area generally mirrors that of the state. An overview of the general demographic and economic conditions in the Denver metropolitan area can be found in Section D, "Demographic and Economic Information", in the Statistical Section.

### **Long-Term Financial Planning**

Total projected expenditures for the 2007-2016 Ten-Year Capital Program are \$639.3 million, net of anticipated participation and reimbursement. The program includes:

- \$132 million for the Moffat Collection System Project for the evaluation, permitting, and construction process to augment our short supply to the northern service area. Although the final project has yet to be selected, we propose to begin construction of a new reservoir, expand an existing reservoir, or a combination of both by 2012.
- \$45 million to complete the final 15 million gallons per day (MGD) treatment plant expansion and much of the remaining distribution system components for the Recycled Water Plant to bring new service to additional portions of Denver, the Rocky Mountain Arsenal, and Green Valley Ranch.
- \$4.4 million for the Gross Dam Hydropower/Federal Energy Regulatory Commission (FERC) Relicensing Project to maintain our right-of-way and permit required to operate this important water storage facility. The FERC license for the Gross Dam was issued in March

of 2001 and mandates the construction of a hydropower facility scheduled for completion by 2007.

The objective of the Financial Plan was to meet these capital needs through smooth and predictable rate increases. This will be accomplished through reductions in cash reserves during the first, second, sixth, seventh and eighth years of the ten-year plan. New debt will also be issued in years one through four and years six through eight of the ten-year plan. Using a mix of cash reserves and debt allows Denver Water the maximum possible financial flexibility and insures that ratepayers are not unnecessarily obligated to pay for new capital additions entirely through rates. The rate increases resulting from this financial management strategy are forecast to be between 5-7% during the first half of the ten-year plan and 3% during the second half.

## **Relevant Financial Policies – Investment Balance**

Denver Water established a comprehensive set of financial policies as a basic framework for the financial management of Denver Water and its planning and budgeting process. These policies are listed in the Budget Book, one of which is the following:

### *Balanced Budget*

*Denver Water balances its budget by the planned use of, or contribution to, investment balances. The investment balance is maintained to provide for financial impacts to operation and maintenance, capital replacement, debt service and self insurance. This approach is in accordance with the City Charter, which allows the accumulation of funds for improvements of such magnitude that they cannot be acquired from the surplus revenues of a single year.*

Denver Water began 2007 with an actual investment balance of \$149 million, at cost. The 2007 budget projects this balance to increase by receipts of \$292 million and decrease by expenditures of \$290 million, resulting in a total 2007 ending balance of \$151 million.

Note 2, “Investments,” in the Financial Section provides more information on Denver Water’s investments. Investment balances in published financial statements are not directly comparable to the budgeted investment balance because different valuation methods are used.

## **Major Initiatives**

- Pursue Water Supply Enhancements for Our Moffat Collection System

Three water collection systems comprise Denver Water's major sources of supply: the Moffat Collection System northwest of the city, the South Platte, and the Roberts Tunnel Collection System to the southwest. According to the Integrated Resource Plan, which includes an analysis of future supply and demand, the Moffat Collection System is at risk of running out of water in a single severely dry year. The analysis concluded that the Moffat Collection System needs to provide an additional 18,000 acre-feet of firm yield to mitigate supply vulnerabilities and add reliability and balance to our water supply system.

Instead of proposing a specific project to add this extra capacity to the Moffat Collection System, Denver Water entered into the regulatory process with the U.S. Army Corps of

Engineers to identify options for meeting this need. The Corps is preparing an Environmental Impact Statement (EIS) to evaluate the potential effects of these options and is expected to release a draft EIS for public review in the fall of 2007. The final EIS will follow in late 2007 or early 2008.

- Continue to Strengthen Denver Water's Fiscal Health

In accordance with Denver Water's charter directive to provide high-quality water at rates as low as good service permits, we are implementing a number of changes in 2007 that will contribute to Denver Water's sound financial health. Adjustments in water rates will be one of these changes. The new rate structure that is effective January 1, 2007, uses a fixed service charge rather than a meter charge and communicates our water efficiency goals to customers by raising rates for defined blocks of increased water use. The bimonthly service charge, no longer based on the size of the customer's meter, will be \$5.98, lower than the \$9.76 currently paid by most residential customers. The new rates will also bolster cash reserves, helping us handle large unforeseen expenses such as the need to mitigate watershed damage inflicted by the Hayman fire in 2002 and sudden increases in the cost of construction materials after Hurricane Katrina.

- Implement Technology Systems to Improve Customer Service

In 2007 we will continue our multi-year effort to procure new software systems to advance our ongoing objectives of streamlining operating procedures and enhancing our ability to respond to customer needs. A Mobile Workforce Tracking System will permit real-time management of our field operations, speeding up customer service response times and increasing productivity. An up-to-date Customer Information System, also aimed at improving customer service, will boost our ability to track customer account information, analyze water savings more specifically, and enable us to administer alternative rate designs that may be necessary to achieve our demand-management and revenue goals.

## **SEC Periodic Disclosure Requirements**

Rule 15c2-12(b)(5) requires Participating Underwriters to determine that the issuer of municipal securities has undertaken in a written agreement for the benefit of holders of such securities to provide annual financial information in a timely manner to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any. The Government Finance Officers' Association of the United States and Canada ("GFOA") recommends that the disclosure be contained in the CAFR. The disclosure that Denver Water has undertaken to provide in order that participating underwriters may comply with this rule can be found on the following pages:

Budgetary Controls	Page I-2
Audited Financial Statements	Section II - Financial Section
Total Outstanding Indebtedness	Section II - Notes 6, 7, 8, 11, Exhibits II-A through II-G
Number of Customer Accounts	Page III-22
System Development Charges and Participation Fees	Page III-32
Receipts and Expenditures	Page III-55

Information for prior years and information related to the City and County of Denver is available at <http://www.dacbond.com>.

## Awards and Acknowledgements

### Awards

**Comprehensive Annual Financial Report.** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Denver Water for its CAFR for the fiscal year ended December 31, 2005. This was the eighteenth consecutive year that Denver Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

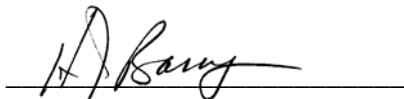
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Annual Budget.** In addition, Denver Water also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2006. This is the fourteenth consecutive year Denver Water has received this award. In order to qualify for this award, Denver Water's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

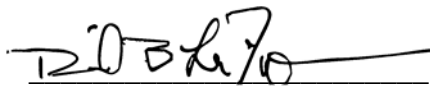
### Acknowledgments

We wish to express our appreciation to all members of Denver Water who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Water Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Denver Water's finances.

Sincerely,



Hamlet J. Barry, III  
Manager, Denver Water



David B. LaFrance  
Director of Finance

BOARD OF WATER COMMISSIONERS - As of January 10, 2007



**Top from left, Denise S. Maes, Thomas A. Gougeon;  
Bottom from left, Penfield Tate III, George B. Beardsley, Harris D. Sherman\***

Denise S. Maes, President  
Attorney: Berenbaum, Weinshenk & Eason

*Commissioner since July 10, 1995;  
Term expires July 10, 2007.*

Thomas A. Gougeon, First Vice President  
Principal: Continuum Partners LLC

*Commissioner since August 10, 2004;  
Term expires July 10, 2011.*

Penfield Tate III  
Attorney: Greenberg Traurig

*Commissioner since October 18, 2005;  
Term expires July 10, 2011.*

George B. Beardsley  
Principal: Inverness Properties, LLC

*Commissioner since February 2, 2004;  
Term expires July 10, 2007.*

Harris D. Sherman  
Senior Partner: Arnold & Porter LLP

*Commissioner since December 6, 2005;  
\*Resigned February 16, 2007*

**LAST 20 COMMISSIONERS**

Don Friedman Apr 27, 1977 to May 1, 1978  
William G. Temple Jun 28, 1962 to Jul 13, 1978  
Charles F. Brannan Dec 14, 1970 to Sep 26, 1983  
James B. Kenney, Jr. Jan 9, 1976 to Sep 26, 1983  
Charles G. Jordan Sep 26, 1983 to Jun 28, 1985  
D. Dale Shaffer Aug 9, 1978 to Jul 8, 1985  
John A. Yelenick Jul 14, 1969 to Aug 25, 1987  
Marguerite S. Pugsley May 10, 1978 to Aug 25, 1987  
Elizabeth A. Hennessey Nov 4, 1985 to Jul 28, 1989  
Malcolm M. Murray Aug 25, 1987 to Jul 12, 1993

Donald L. Kortz Aug 25, 1987 to Jul 12, 1993  
Monte Pascoe Sep 26, 1983 to Jul 10, 1995  
Romaine Pacheco Jul 31, 1989 to Jul 10, 1995  
Hubert A. Farbes, Jr. Jul 8, 1985 to Jul 14, 1997  
Ronald L. Lehr Jul 21, 1993 to Apr 20, 1999  
Joe Shoemaker Jul 10, 1995 to Jul 9, 2001  
Andrew D. Wallach Jul 18, 2001 to Aug 5, 2003  
Daniel E. Muse Feb 10, 2000 to Nov 13, 2003  
Richard A. Kirk Jul 21, 1993 to October 18, 2005  
William R. Roberts Jul 10, 1997 to October 18, 2005

MANAGER AND STAFF - As of December 31, 2006



**Top from left, Hamlet J. Barry, Secretary-Manager; Marie L. Bassett, Director of Public Affairs; Christopher R. Dermody, Director of Information Technology; Brian D. Good, Director of Operations & Maintenance; Bottom from left, David B. LaFrance, Director of Finance; Robert J. Mahoney, Director of Engineering; Edward E. Pokorney, Director of Planning; Patricia L. Wells, General Counsel**

**DISCRETIONARY PERSONNEL**

(Employees Serving in Executive Discretionary Positions Solely at the Pleasure of the Board)

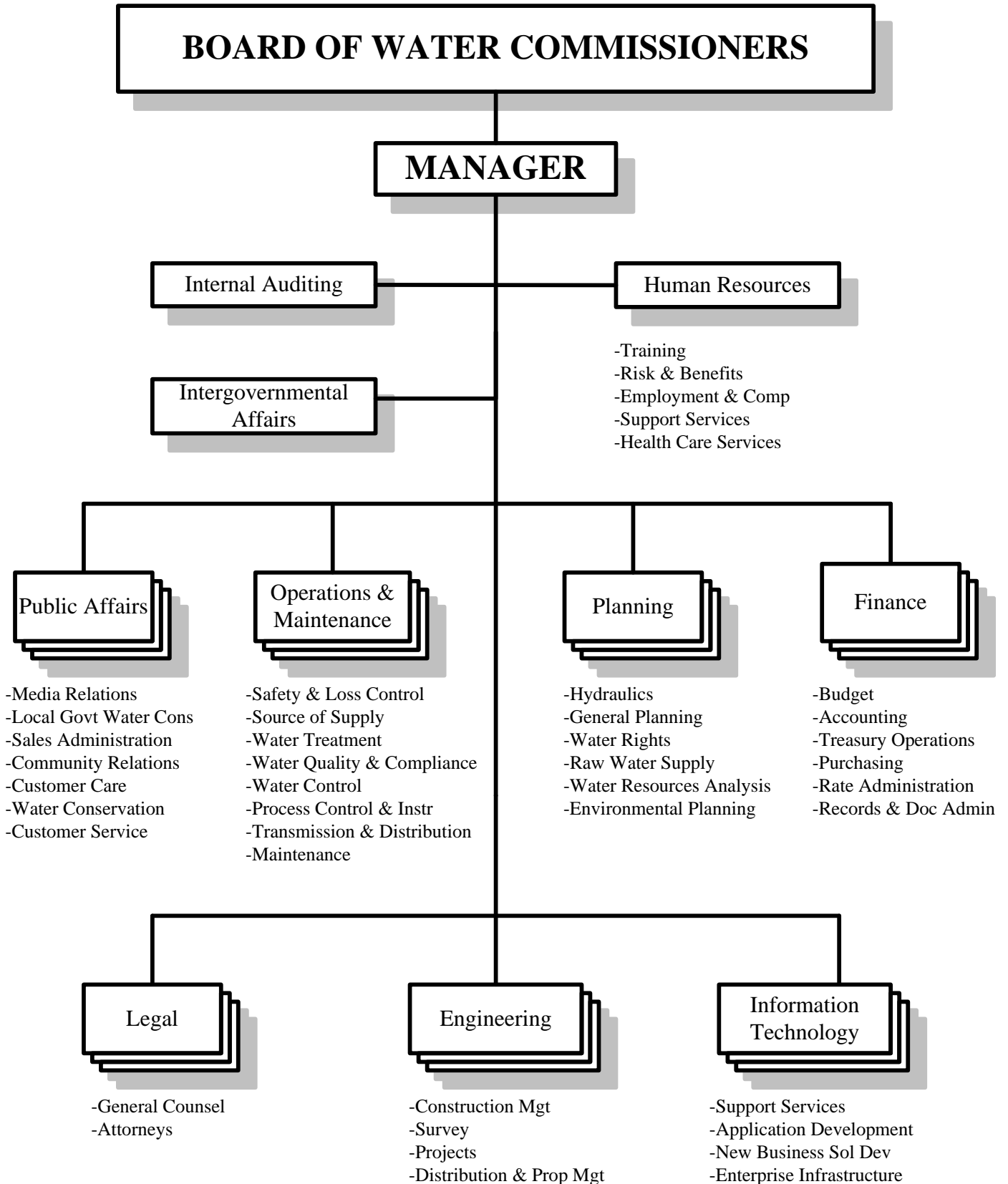
Manager and Senior Staff

Hamlet J. Barry, III, Secretary-Manager  
Marie L. Bassett, Director of Public Affairs  
Christopher R. Dermody, Director of Information Technology  
Brian D. Good, Director of Operations & Maintenance  
David B. LaFrance, Director of Finance  
Robert J. Mahoney, Director of Engineering\*  
Edward E. Pokorney, Director of Planning  
Patricia L. Wells, General Counsel

Other Staff

John H. Bambei, Jr., Chief of Engineering  
Edith A. Carlson, Manager of Internal Auditing  
Sara Duncan, Intergovernmental Affairs Coordinator  
Carla Y. Elam-Floyd, Manager of Human Resources  
Kathryn M. Kempke, Manager of Treasury Operations  
David L. Little, Manager of Water Resource Planning  
Trina L. McGuire-Collier, Manager of Community Relations  
Michael L. Walker, Attorney V  
John J. Wright, Manager of Rate Administration

\*Effective November 1, 2006, replacing Jonathan L. Diebel.



# CHARTER

## ARTICLE X of the CHARTER OF THE CITY AND COUNTY OF DENVER

Amended November 5, 2002

**§10.1.1 Board of Water Commissioners created.** There shall be and hereby is continued and created a non-political Board of Water Commissioners of five members, to have complete charge and control of a water works system and plant for supplying the City and County of Denver and its inhabitants with water for all uses and purposes.

**§10.1.2 Appointments to Board.** On the second Monday in July of odd-numbered years, the Mayor shall appoint one or two Commissioners, as the case may be, for terms of six years each to succeed those whose terms are expiring. The members of the Board of Water Commissioners shall each continue in office until their successors are appointed and qualified. Any vacancy on the Board shall be filled promptly by appointment by the Mayor. Each appointee shall be a citizen of the United States, a resident of the City and County of Denver, and at least 25 years of age. If a member of the Board shall cease to be a resident of Denver, the individual shall thereupon cease to be a member of the Board.

**§10.1.3 Compensation and bonds.** The commissioners shall each receive compensation of \$600.00 per annum. Each Commissioner shall give an oath or affirmation and give an official bond in an amount and conditioned and approved as provided by the Board by resolution. The Board may require the Treasurer of the City and County of Denver to give bond conditioned in such manner as shall be determined by the Board. The premiums on all such bonds shall be paid out of the Water Works Fund.

**§10.1.4 Board meetings.** The Board shall hold two regular meetings each month on such days as it may by resolution determine, and special meetings at such other times as it may deem necessary. All meetings shall be open and public. If any member of the Board shall be absent for three successive regular meetings, unless excused by vote of the Board, he or she shall cease to be a member and the office shall be deemed vacant.

**§10.1.5 General powers.** The Board shall have and exercise all the powers of the City and County of Denver including those granted by the Constitution and by the law of the State of Colorado and by the Charter in regard to purchasing, condemning and purchasing, acquiring, constructing, leasing, extending and adding to, maintaining, conducting and operating a water works system and plant for all uses and purposes, and everything necessary, pertaining or incidental thereto, including authority to dispose of real or personal property not useful for or required in the water works operation. The Board shall have authority to generate and dispose of electric energy for water works purposes or any other purpose of the City and County of Denver. The Board may lease water facilities or the flow of water for generation of electric energy and may sell surplus energy, provided that nothing herein shall be construed as permitting the Board to distribute electric energy to the general public. The Board shall have power in the name of the City and County of Denver to make and execute contracts, take and give instruments of conveyance, and do all other things necessary or incidental to the powers herein granted, and in so doing may make such special designation in such instruments as will indicate the capacity in which the City and County of Denver is acting when such actions are taken by or on behalf of the Board of Water Commissioners. The customary practice of dealing in the name of "City and County of Denver, acting by and through its Board of Water Commissioners" is hereby confirmed and approved. The Board shall institute and defend all litigation affecting its powers and duties, the water works system and plant, and any of the Board's property and rights. In any matter affecting the powers, duties, properties, or trusts of the Board, process shall be served on the Board. The Manager of Denver Water is hereby designated as the officer upon whom process may be served in any matter in which the Board of Water Commissioners has the sole authority for the municipal corporation.

**§10.1.6 Manager and personnel.** The property and personnel under control of the Board shall be referred to generally as Denver Water. The Board shall designate a Manager, who shall cause the Board's policies and orders to be executed and shall bring to the Board's attention matters appropriate for its action. The Board shall have power to employ such personnel, including legal staff, and fix the classifications thereof as it may deem necessary. All such personnel shall be hired and dismissed on the basis of merit. The Board shall define the duties of each of its employees and fix the amount of their compensation. It shall be the duty of the Board to carry out the intent and



## CHARTER (Continued)

requirements of Article XX of the Constitution of the State of Colorado with respect to civil service for public utilities and works and to perform the customary functions of a civil service commission with respect to its employees. In performing the functions of a civil service commission, the Board or its designee shall have the power to conduct hearings, administer oaths and issue subpoenas enforceable in the County Court of the City and County of Denver. The Board may establish classifications of employment for persons outside the civil service system who serve solely at the pleasure of the Board. Such employees shall include the number of temporary employees the Board deems necessary and not more than 2% of all regular employees of the Board.

**§10.1.7 Water works fund.** There is hereby created a Water Works Fund into which shall be placed all revenues received from the operation of the water works system and plant together with all monies received by the Board from other sources. The Board shall maintain records in compliance with generally accepted accounting principles sufficient for reliance by the Treasurer and the Auditor in faithfully accounting for the Water Works Fund. The Board shall promptly deposit all receipts into a bank account in the name of the City and County of Denver acting by and through its Board of Water Commissioners. The Board may invest such funds until they are required for operations of the Board. Monies shall be paid out of the account only upon the authority of the Board and evidenced by warrants drawn upon the Treasurer by the Auditor of the City and County of Denver, except as to general obligation bonds and the interest thereon, which the Treasurer shall pay using procedures approved by the Manager of Revenue.

**§10.1.8 City Auditor.** The Auditor of the City and County of Denver shall audit the accounts of the Board at least annually and make a report of his or her findings to the Council of the City and County of Denver. The Board shall make all of its accounts and records fully available to the Auditor to enable him to carry forward these duties that shall be performed without interference with the water works function. The Auditor, or some person designated by him or her, shall sign all warrants, countersign and register all bonds and written contracts (with the privilege but without the necessity for keeping copies thereof). The Auditor may authorize the affixing of his or her signature by mechanical means.

**§10.1.9 Water rates.** The Board shall fix rates for which water shall be furnished for all purposes within the City and County of Denver, and rates shall be as low as good service will permit. Rates may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver metropolitan area, and to provide for Denver's general welfare. The rates may also be sufficient to provide for the accumulation of reserves for improvements of such magnitude that they cannot be acquired from the surplus revenues of a single year.

**§10.1.10 Uniformity of rates.** Except as specifically provided, rates charged for water furnished for use inside the city limits of the City and County of Denver shall be uniform as far as practicable and so related to the service furnished or the volume of water used as to bring about a fair and equitable distribution among all water users of the total amount to be realized from revenues derived from the sale of water used within the City and County of Denver. No special rate or discount shall be allowed to any property, entity, person or class of persons except as in this charter specifically provided.

**§10.1.11 Enforcement of charges.** The Board may enforce the payment of any charge by discontinuing service to the premises at which the charge arose without regard to the ownership or occupancy of such premises.

**§ 10.1.12 City rates.** Commencing January 1, 1960, the Board shall furnish water to the municipal government of the City and County of Denver at rates which shall approximately equal but not exceed the cost of the water furnished, not including items in such rate for debt service, additions, extensions or betterments. Such rate shall not be applicable to agencies or authorities sponsored by or supported by the City and County. The Board shall own, control and operate all water, water rights, structures and facilities of the City and County of Denver pertaining to the Farmers and Gardeners Ditch and the City Ditch. The Board shall furnish water out of the City Ditch or some equivalent source for the use of Denver in City Park and Washington Park, without any charge whatsoever.

**§10.1.13 Water leases.** The Board shall have power to lease water and water rights for use outside the territorial limits of the City and County of Denver, but such leases shall provide for limitations of delivery of water to

## CHARTER (Continued)

whatever extent may be necessary to enable the Board to provide an adequate supply of water to the people of Denver. Every such lease shall contain terms to secure payment of sufficient money to fully reimburse the people of Denver for the cost of furnishing the water together with an additional amount to be determined by the Board. Sales at amounts less than the above minimum may be made if warranted by economic conditions, but a contract providing for such lesser charge shall not extend for more than one year.

**§10.1.14 Expenses.** The entire cost of the operation and maintenance of the water works system and plant under the control of the Board shall be paid from monies of the Water Works Fund. The monies and other assets of the Water Works Fund shall not be used for any purpose except for the management, operation and maintenance of the water works system and plant, including additions, extensions and betterments, for recreational opportunities incidental thereto, and for the payment of interest and principal on bonds and other obligations, the proceeds of which were or shall be used for water works purposes.

**§10.1.15 Bonded indebtedness.** The Board of Water Commissioners in its sole discretion may issue revenue bonds, the proceeds of which shall be placed in the Water Works Fund and expended for water works purposes, for establishing reserves in connection with such bonds or for refunding the principal of and interest on bonds previously issued by the Board. Revenue bonds shall be payable as to interest and principal solely from the net revenues of the Board. The Board shall pledge to pay the principal and interest on such bonds from revenues of the Board, which pledge shall be irrevocable. The bonds so authorized shall be sold and issued by action of the Board and no other ratification or authorization shall be required. The Board shall have power to refund, pay or discharge the principal of any general obligation bond it issued prior to November 5, 2002, when such bond becomes payable, and may use proceeds of a new revenue bond issuance to refund, pay or discharge the general obligation bonds. Existing or future bonds issued by the Board shall continue to be excluded from the determination of any limit upon the indebtedness of the City and County of Denver.

**§10.1.16 Board organization.** The Board shall adopt rules governing its organization, the calling of special meetings and the conduct of its business. A majority of the Board shall constitute a quorum and all action by the Board shall be taken by a majority of the whole Board and not otherwise.

**§10.1.17 Rules and regulations.** The Board may adopt rules and regulations with respect to any matter within its jurisdiction as defined by Charter. It may provide for enforcement of its rules and regulations by imposing special charges in an amount reasonably calculated to secure compliance or recompense for water loss, to achieve water conservation and to reimburse the Board for expenses arising out of violation. In addition to any other lawful remedy, enforcement procedure may include refusal to supply water to a property involved. The City and County of Denver by ordinance may supplement Board rules and regulations and provide penalties for the violation of such an ordinance in the same manner as penalties are provided for the violation of other ordinances. Rules adopted by the Board and within its authority shall supersede any conflicting ordinance provision.

**§10.1.18 Publication of rules and regulations.** Rules and regulations adopted by the Board shall be effective after they shall have remained posted in a conspicuous public place in the principal business office of the Board for a period of fifteen calendar days. Whenever immediate application of a rule or regulation by the Board is necessary for the preservation of the public peace, health or safety, the Board may so declare, and such rule or regulation shall thereupon become effective immediately upon being posted as provided in this section.

**§10.1.19 Continuity of control of water.** The Board may make provision for retaining dominion over the water supply under its control through successive uses of such water, such as reuse and exchange. Such dominion shall not be affected by treatment of wastewater produced by use of the water supply.

**§10.1.20 Disposition of former charter authority.** The provisions of this Article X shall supersede any conflicting provision of the charter existing on May 19, 1959 when this article was adopted.

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A handwritten signature in black ink, appearing to read "Thomas J. Harner".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

## **The Year 2006 in Review**

Denver Water's operations during 2006 reflected our two chief commitments to customers—providing an adequate, reliable supply of high-quality water and ensuring ample future supplies as our customer base continues to grow.

With assistance from Mother Nature and our customers, we were able to meet water demand throughout 2006 without any drought-related restrictions. Peak storage levels in our reservoirs were 6 percent higher than historical averages, and demand was 7 percent below normal. Above-average snowmelt filled the reservoirs to 98.9 percent of capacity in the spring, and customers who carried over some of the water-saving practices mandated during the dry years of 2002–2004 helped us maintain higher-than-average reservoir levels even during the summer irrigation season.

To ensure the continued reliability of Denver Water's supplies while sustaining the utility's financial health, we readied a two-pronged strategy for implementation in 2007: an Accelerated Conservation Program aimed at instilling permanent water-efficient behaviors among our customers and a new Rate Structure that takes into account reduced demand and more equitably links costs to consumption.

Our strategies for efficient water use also include stretching supplies by treating reclaimed wastewater for nonpotable applications. As part of this effort, we launched several capital construction projects in 2006 to expand the reach of our Recycled Water Distribution System. When these projects are completed in 2007, recycled water will be available to irrigate parks and golf courses in the redeveloped Stapleton and Lowry neighborhoods in northeast Denver.

We continued working with the U.S. Army Corps of Engineers this year to determine the best method of ensuring adequate capacity in our Moffat Collection System northwest of Denver. To enable us to recapture reusable return flows from our South Platte Collection System, we purchased 11,400 acre-feet of storage capacity at the Lupton Lakes gravel pit property in Fort Lupton, Colorado. In addition, we are converting two other former gravel pits along the South Platte downstream from Denver into a new interconnected storage facility called Miller Reservoir.

Providing water of the highest quality remains one of Denver Water's prime priorities. In addition to our ongoing programs for pipe rehabilitation and other distribution system improvements, we took several steps in 2006 to make sure we comply with recently issued federal regulations related to disinfection. We began the design phase for a new chlorine contact basin to be constructed at Foothills Treatment Plant, and we continued updating our Geographic Information System database so we can more effectively track disinfection effects throughout our potable water distribution system.

As part of our leadership role with respect to all Front Range water issues, we continued to work closely with our neighbors in the metropolitan area and the communities where our watersheds are located to identify mutually beneficial solutions to water quality and water supply challenges.

## **EMPLOYMENT AND CUSTOMER STATISTICS**

Over the past 10 years, the number of Denver Water employees rose from 987.4 in 1996 to 1,004.8 in 2006, an increase of 1.8 percent. Even though drought-related hiring restrictions were lifted in 2006, the end-of-year employee count was the lowest since 1999. The 7 percent vacancy rate in the authorized staffing level of 1,080 was twice the historical rate; if staffing had remained at normal levels, the employee tally would have been 1,042 at year's end. The high vacancy rate results from a number of retirements, plus a strong regional job market and difficulty filling certain positions that require specific certifications.

Meanwhile, the utility's number of taps grew from 268,676 at the end of 1996 to 306,901 at the end of 2006, an increase of 14 percent.

## **DEMAND AND CONSUMPTION OF TREATED WATER**

Water use during the 2006 irrigation season was 11 percent lower than before the drought of 2002–2004. Behaviors established under restrictions imposed during the drought helped to reduce water use in 2006, even though no restrictions were in place this year. Still, water use during the 2006 irrigation season was approximately 12 percent higher than in 2005 and approximately 19 percent higher than during the drought years—not only because of the absence of mandatory restrictions but also because of unseasonably hot, dry weather in the spring of 2006. The average daily high temperature during April, May, and June was 7°F above normal, and precipitation was 4.5 inches below normal.

Because of the extraordinary weather in 2006, our staff adjusted pre-drought water use levels for 2006 weather conditions to gain a more accurate picture of water use patterns. When weather-adjusted figures, derived with 2006 temperature and precipitation statistics, were used to compare 2006 water use with pre-drought use, water use during the 2006 irrigation season was 16 percent lower than weather-adjusted levels before the drought.

## **WATER RESOURCE MANAGEMENT**

### **Supplementary Resource Statement**

In October 2006 Denver Water's Board of Commissioners approved a Supplement to the Board Resource Statement to guide water supply planning efforts for the foreseeable future. An earlier Resource Statement was published as part of Denver Water's 1997 Integrated Resource Plan. Although it still provides generally appropriate guidance for allocating our water resources, several recent developments will also influence future actions. These developments include:

- The 2002–2004 drought, which demonstrated the resiliency of Denver Water's system and the willingness of customers to use less water but also revealed the vulnerability of the Moffat supply;
- The 2002 Hayman Fire, which destroyed vegetation around Cheesman Reservoir and requires continuing action to preserve the watershed;
- Continued sediment deposition in Strontia Springs Reservoir resulting from the 1996 Buffalo Creek Fire and necessitating a massive sediment removal project;

## YEAR IN REVIEW – 2006 (Continued)

- The September 11, 2001 terrorist attacks, which underscored the need for intensified security measures to protect our physical and information technology assets; and
- Increased scientific evidence regarding the possible effects of global climate change on raw water supplies and future demand.

The Supplement lists several actions Denver Water is taking to address the effects of these developments on its water resources. Principal actions include:

- Implementing an Accelerated Conservation Plan;
- Addressing the Moffat System vulnerabilities in order to add supply, reliability, and balance to the entire raw water system;
- Evaluating the type and quantity of supply appropriate for the Strategic Water Reserve, held as protection against supply uncertainties; and
- Continuing to expand the Recycled Water System, which provides nonpotable water for irrigation and commercial use.

### **Conservation Programs**

In 2006, Denver Water's conservation staff stepped up its efforts to promote short- and long-term water use efficiency among the utility's customers. In addition to coordinating preparations for the Accelerated Conservation Program to be launched in 2007, the staff spearheaded a number of interim initiatives to move baseline water use to a more efficient level.

Accelerated Conservation Plan. Denver Water's 1997 Integrated Resource Plan (IRP) identified 68,000 acre-feet of potential water savings. According to the IRP, 29,000 acre-feet would be saved through measures initiated by the utility, and the rest would be conserved by customers independent of any action on the part of Denver Water. The Accelerated Conservation Plan comprises strategies for achieving this goal as fast as possible by instilling permanent water efficiency practices among customers and speeding up the pace at which they adopt these practices. Staff will evaluate progress annually and reassess the accelerated plan at least every five years.

Building on the most successful conservation measures of the past few years, the Accelerated Conservation Plan allocates staff and funds to help the government of the City and County of Denver improve its water use efficiency and relies on a proven public outreach model known as community-based social marketing (CBSM). The CBSM approach to changing behavior involves conducting extensive research about customer attitudes, providing information to targeted individuals, asking them to make a commitment in light of that information, providing prompts to remind them to do what they have promised, checking to see if they have done what they agreed to, and then asking them to do a little more. Garnering the support of local government, business, and community leaders is a key component of the outreach program.

In keeping with the long-term goals articulated in Denver Water's IRP, the Board decided that for the near-term future, water saved as a result of the Accelerated Conservation Plan will be used to fortify the utility's Strategic Water Reserve. Thus, the conservation gains will provide the dual benefits of reducing water demand and enlarging reserves, allowing more water to remain in streams and lakes.

## YEAR IN REVIEW – 2006 (Continued)

Turf Watering Rule. In May 2006, Denver Water added a new provision to the water conservation section of its operating rules, permanently limiting the routine watering of turf landscapes to three days per week, except for establishing new turf from sod or seed. Because this provision was not related to drought response, insufficient supplies, or a system emergency, it does not constitute a water use restriction in the context of Denver Water's supply agreements and environmental permits.

Summer Water Use Program. In early spring, every customer received direct-mail instructions about the optimal amount of water—in inches and minutes—to apply to landscapes each month from May through October. The same information was posted on Denver Water's web site, along with conservation tips, checklists for improving efficiency in both indoor and outdoor water use, and three years of water use history for each customer, accessible by account number. An advertising campaign designed to reinforce the idea of wise landscape watering featured the slogan "Use Only What You Need." Yard signs touting this principle reminded customers to avoid wasting water, and billboard ads positioned the slogan in one small corner of an otherwise white expanse.

Xeriscape Anniversary Activities. This year marked the 25th anniversary of the Xeriscape concept, conceived by Denver Water staff in 1981. To celebrate, the Conservation Section hosted three garden parties featuring tours of Denver Water's Xeriscape Garden, collaborated again with the Colorado State University Extension Service to present Xeriscape exhibits at Denver's annual Garden and Home Show, and finalized plans to co-sponsor Water Smart/Xeriscape Seminars at Denver Botanic Gardens beginning in January 2007.

Water-efficient landscaping installed this year at the Green Mountain Reservoir and Pump Station and the Einfeldt Pump Station is expected to save 5 acre-feet of water annually. Xeriscape designs for two more Denver Water properties—the Cherry Hills and Capitol Hill Pump Stations—and for a new Xeriscape Demonstration Garden in the Stapleton neighborhood also got under way in 2006.

WaterWise Program. For the ninth consecutive year, Denver Water contributed the retrofit kits that are essential to the annual WaterWise Resource Action Program, an educational curriculum that helps local fifth- and sixth-graders learn about efficient water use. WaterWise students participate in a week-long classroom curriculum, then take home kits containing water-efficient showerheads and kitchen and bathroom sink aerators, and measure their household water use before and after their parents help them change out their aerators and showerheads. The WaterWise program reached 4,500 households in 2006, and Denver Public Schools is promoting it to all its sixth-grade science teachers. The program is expected to generate direct water savings of 425 million gallons over 10 years.

Water Use Audits. Conservation Section technicians conducted more than 900 audits of customer water use in 2006. This effort encompassed almost all customer classes, including single and multifamily residential as well as commercial, industrial, and governmental customers. As a result of the audits, more than 150 leaks were detected, and 385 showerheads and 620 faucet aerators were replaced with more water-efficient models.

## YEAR IN REVIEW – 2006 (Continued)

Personal Water Consultants. A new water efficiency measure launched in 2006 identified Denver Water's 1,000 highest-volume water users and paired each customer with a staff member from the Conservation Section. By year's end, staff members had talked with decision-makers at 45 percent of the top 1,000 accounts to offer assistance with water conservation and had conducted five water efficiency audits as a result.

Irrigation Efficiency Measures. The Irrigation Incentive Program, a measure through which Denver Water re-purchases saved water from homeowners associations and other commercial customers who use high volumes of water for irrigation, had six active contracts at the end of 2006. Water savings from this measure totaled 37 acre-feet in 2006, and Denver Water paid just over \$30,500 for the saved water.

Conservation Incentives for Commercial and Industrial Customers. Denver Water encourages more efficient water use among its commercial and industrial customers by entering into contracts offering them incentives for sustainable, long-term water savings. Thirteen contracts, not including ten new ones signed during 2006, were responsible for saving 166 acre-feet of water in 2006. Denver Water paid about \$341,400 for the saved water.

In addition, Denver Water continued a Cooling Tower Pilot Project with Wastewater Management this year. The pilot project, initiated in 2004, tracks cooling tower water consumption and simplifies reporting requirements for evaporation credits. Ten customers—plus the cooling tower at Denver Water's administration building—were participating in this project by the end of 2006.

Denver Water's commercial and industrial rebates provide incentives for water-efficient technologies such as boilerless steamers, updated car wash and coin-operated laundry equipment, low-flow and high-efficiency toilets, submeters, and conductivity controllers for cooling towers. In 2006, Denver Water paid nearly \$67,000 in rebates to 47 commercial and industrial customers.

Rebates for Water-Efficient Appliances and Plumbing Fixtures. Denver Water's conservation staff processed 8,861 rebates valued at more than \$1.6 million during 2006. High-efficiency washing machines accounted for 88 percent of rebate requests and 96 percent of rebate payments; low-flow and high-efficiency toilets were the next most popular rebate item. Wireless rainfall sensors were added to the list of approved rebate devices.

Collaboration with the City and County. A new position created in 2006 permitted a Denver Water staff member to become the utility's liaison with the City and County of Denver. Highlights of the first year of this arrangement included an audit of the City and County Building; assisting with Mayor John Hickenlooper's Greenprint Denver initiative (a blueprint for sustainable environmental programs in the city); and working with Denver Parks and Recreation to resolve long-standing pumping issues at two parks, to conduct an analysis of all park pump stations, and to evaluate possible turf conversions and potential water savings at the city's recreation centers and outdoor pools.



### **Water Sales and Leases**

Denver Water's relatively abundant supplies in 2006 allowed us to enhance revenues by temporarily leasing limited quantities of water to suburban purveyors outside our normal service area. A three-year agreement with the East Cherry Creek Valley Water and Sanitation District allows the district to lease up to 1,000 acre-feet of potable water per year, with the option to extend the contract for three additional one-year periods. This year the district leased 668.3 acre-feet of water for a price of \$827.68 per acre-foot, yielding \$553,100 in revenue.

Another three-year lease allows the Centennial Water and Sanitation District to purchase up to 2,000 acre-feet of untreated water per year, with Denver Water retaining sole discretion over the timing and amount of water available for lease. The district leased a total of 2,261 acre-feet in 2006—680 acre-feet under the lease plus a spot sale of 1,581 acre-feet—producing proceeds of more than \$500,000.

A temporary spot-sale lease allowed the City of Thornton to purchase up to 3,000 acre-feet of untreated water on an as-available basis during June and July of 2006. Water delivered under this agreement had to be used exclusively for municipal purposes and were contingent on Thornton imposing outdoor water use restrictions at least as stringent as the conservation measures stipulated in Denver Water's operating rules. The agreement was extended when more water became available. Actual purchases totaled 7,680 acre-foot and yielded proceeds of almost \$1.8 million.

## **CAPITAL CONSTRUCTION**

### **Recycled Water System Expansion**

As part of Denver Water's commitment to augmenting deliveries of reclaimed wastewater for nonpotable use, we initiated a series of capital construction projects in 2006 to extend our Recycled Water Distribution System. The expansion, which will increase the capacity of this distribution system by 2,000 acre-feet per year, includes a new storage tank and pump station that will feed new conduits serving the Stapleton and Lowry areas in northeast Denver. These neighborhoods currently use treated water for irrigation.

Capitol Hill Recycled Water Storage Tank. A new 6-million-gallon underground storage reservoir adjacent to Congress Park in central Denver will store recycled water destined for parks and golf courses in several areas of the city. The first phase of this project—demolishing the 100-year-old storage basin that previously occupied the site—was completed in February 2006. Construction of the new storage facility began in May and will be finished in February 2007. Distinctive purple pipe used to convey recycled supplies connects the new reservoir with the Recycling Plant. Grading, fencing, and landscaping will begin in April 2007, and the storage tank and water lines are scheduled to be in operation by May 2007. The total cost of the project will be about \$10 million.

Montclair Pump Station. A new pump station at 11th Avenue and Quebec will boost the pressure of recycled water on its way from the Capitol Hill Storage Tank to East Denver. Like the new storage tank, the pump station supplants an outmoded Denver Water facility occupying the same location, in this case an underground reservoir that had been out of service for 25 years.

## YEAR IN REVIEW – 2006 (Continued)

Construction of the pump station began in spring 2006, will be completed during the first quarter of 2007, and will cost \$9 million. Pumping capacity will be 42 million gallons per day.

New Conduits. Three new pipelines will complete the Recycled Water Distribution System expansion. Conduit 307 will carry recycled water east from the new storage tank to the new pump station. Construction of this 54-inch-diameter pipeline began in summer 2006 and is scheduled for completion in spring 2007. Conduit 303, an existing 48-inch-diameter pipeline, is being extended south from Montview Avenue to the new pump station and will eventually provide recycled water to the Stapleton neighborhood. Conduit 306, a 30-inch-diameter line, will transport recycled water to the golf course and parks in the Lowry area. Construction of these two pipelines is expected to be finished by mid-summer 2007. The three new conduits will consist of 5.5 miles of purple pipe, and their total cost is estimated at \$17 million.

Recycling Plant. Several enhancements to the Recycling Plant itself were completed in 2006. In August the plant's new solids-drying bed began processing treatment plant residuals on site, reducing disposal costs. The savings in disposal costs are expected to offset the drying bed's \$3.2 million price tag in about five years. A drainage system and ammonia feed system were also added to the plant in 2006 at a cost of \$874,000. The drainage system solved a longstanding drainage problem that made plant facilities vulnerable to flooding. The ammonia feed system, which automates this facet of the treatment process, will lower annual operating costs by about \$138,000.

### **Reservoir Improvements**

In addition to ensuring that water is available throughout the year, Denver Water's reservoirs store reserve supplies for dry years. Capital projects in 2006 targeted needed upgrades or repairs at several of our reservoirs and sustained construction of a hydroelectric power generating station at Gross Reservoir in rural Boulder County.

Gross Reservoir Hydroelectric Station. Denver Water has been licensed to produce hydroelectric power at Gross Reservoir since 1950 but did not begin building a hydroelectric plant there until August 2005. The plant's turbines and generators, purchased for \$2.1 million, are capable of producing more than 27 million kilowatt hours of clean, renewable energy per year. Scheduled to go on line in summer 2007, the hydroelectric plant will allow Denver Water to sell energy to Xcel Energy under a new Power Purchase Agreement.

Eleven Mile Canyon Reservoir Outlet Works. Renovations to the outlet works at this South Park reservoir replaced three 1932-model valves (which allowed a minimum outflow of 40 cubic feet per second [cfs] and a maximum outflow of 1,360 cfs) with four new valves that allow a wider range of outflows (a minimum of 3 cfs and a maximum of 1,870 cfs). The ability to support a wider range of outflows enables us to serve our customers more efficiently. The renovations were completed in late 2006 at a cost of \$5.8 million.

Miller Reservoir. Engineers determined that adding embankments to the topography at this gravel pit site could provide an additional 800 acre-feet of storage, bringing the facility's total capacity to 2,000 acre-feet. Construction of the embankments began in 2006 and will be finished

## YEAR IN REVIEW – 2006 (Continued)

in 2007. A soil–bentonite slurry cutoff wall, completed in 2006, now surrounds the reservoir, providing an impermeable boundary between the storage facility and the groundwater.

Cat Reservoir. Construction of a compacted clay liner around Cat Reservoir, a second gravel pit adjacent to Miller Reservoir, began in 2006 and will be finished in 2007. The outlet works, including a pump station to return water to the South Platte River, will be constructed in 2007.

Additional project components scheduled for 2007 include constructing interconnection facilities between Cat and Miller Reservoirs. The goal is to have the reservoirs available for operation in early 2008.

### **Collection System Enhancements**

Upgrades to our collection system in 2006 included the installation of additional pipe in the Fraser River Canal and elevator modifications at the Roberts Tunnel.

Fraser River Canal. An ongoing pipe installation program at the Fraser River Canal in Winter Park replaces about 1,000 feet of concrete- and earth-lined canal with new 102-inch-diameter reinforced concrete pipe each year to improve hydraulic efficiency, reduce water losses from seepage, decrease maintenance costs, and improve safety for people who use the area for recreation. This year, the cost of pipe was \$523,000. Denver Water crews took care of installation, which as usual occurred during the summer because of the short construction season in the mountains.

Roberts Tunnel. Safety modifications to the elevator near the west portal of Roberts Tunnel at Dillon Reservoir were necessary because the elevator was originally installed without a speed-control governor or a related braking system. Designing the modifications was complicated by the requirement that none of the cabling system could come in contact with water in the tunnel below. This project was completed in November 2006 for a total cost of \$245,000.

### **Treatment Plant Upgrades**

Capital improvement projects also benefited some of Denver Water's treatment facilities this year. Upgrades at the Foothills plant represent the largest capital investment.

Foothills Treatment Plant. Improvements to the flocculation system at Foothills were installed this year at a cost of \$2.5 million. The plant's eight flocculation basins received new stainless steel paddle wheels, sprockets, bearings, chains, shafts, and paddle wheel assemblies to replace aging equipment installed when the plant was built 25 years ago.

A new chlorine contact basin at Foothills will bring this plant's disinfection process in line with those at the Marston and Moffat Treatment Plants and will ensure our ability to comply with upcoming regulatory requirements for treated water. The new contact basin will allow us to add chlorine later in the treatment process, reducing the formation of disinfection by-products. Preliminary design questions—the basin's location, configuration, and estimated cost—were addressed in the spring and summer of 2006. Final project design got under way in September. Construction will begin in January 2007 and is scheduled to conclude in July 2008. Total costs for the new basin are expected to be approximately \$22 million.

A number of waste stream improvements are also in the works at Foothills. Upgrades include installing drying beds and a sludge pipeline, modifying the sludge pumping system, and installing a concrete weir at the overflow pond. These modifications will provide additional settling capacity and shorter cleaning times for the wash water recovery basins, faster drain times for the flocculation–sedimentation basins, and the ability to pump the overflow pond to the drying beds. Implementation of the upgrades, which will cost \$600,000, began in the fall and will conclude in early 2007.

### **Potable Water Distribution System Expansion and Renewal**

Denver Water's potable water distribution network encompasses some 2,600 miles of pipeline. To provide customers with a consistent, uninterrupted supply of treated water, our staff routinely reconditions older mains and valves. The rehabilitation process involves cleaning the inside of the pipes and then lining them with cement mortar or epoxy to protect them from corrosion. In some cases outdated or worn-out distribution system components must be replaced with new ones, and pipelines often need to be extended to newly developed neighborhoods within our service area.

2006 Pipe Rehabilitation Program. This year Denver Water cleaned and lined some 13,000 linear feet of cast-iron distribution mains ranging from 6 inches to 12 inches in diameter. The cost of this year's rehabilitation program was \$1.6 million. Some unusually shaped fittings, discovered on these mains accounted for \$346,000 of these expenditures. These fittings were not disclosed on the old engineering drawings, so their presence was not anticipated. Because rehabilitating them required excavating the pipe, we elected to replace them while the pipe was uncovered.

Vault Modifications. Water utility vaults—underground chambers generally located underneath streets—house valves, meters, and other instruments used to control the flow of water supplies. A new soccer stadium being built for the Colorado Rapids involved widening 56th Avenue and Quebec Streets, both of which contained major conduits and vaults that were part of Denver Water's transmission system. Kroenke Sports, owner of the Rapids, paid for relocating the vaults, but Denver Water determined that upgrading them while the streets were open would be advantageous. Upgrades included waterproofing, replacing a personnel access hole located in the middle of 56th Avenue with an off-street hatch-style entrance, installing new roof support beams and new ventilation and HVAC control panels, replacing pipes rusted from years of flooding and poor drainage, and exchanging decrepit sump pits for updated sump pumps and discharge lines. This work was completed in August at a cost of \$493,000.

Four vaults in the southern part of our distribution system were also modified because of changed conditions at the sites: Conduit 122 at West Bowles Avenue and South Simms, Conduit 125 at South Broadway and County Line Road, Conduit 90 at South Broadway and Dry Creek Court, and a 16-inch-diameter main at Littleton Boulevard, 500 feet east of South Broadway. These modifications were completed in September for \$1.8 million.

Stapleton Expansion Project. Another 2,600 linear feet of 36-inch-diameter pressure pipe was added to Conduit 151, extending this transmission line along Central Park Boulevard from Martin Luther King Jr. Boulevard to 36th Avenue in the Stapleton neighborhood. The pipeline is being constructed as development occurs, and the current extension cost \$741,000.

## **SYSTEM CAPACITY EXPANSION**

### **Moffat Collection System**

Three water collection systems comprise Denver Water's major sources of supply: the Moffat Collection System northwest of the city and the South Platte and Roberts Tunnel collection systems to the southwest. According to the utility's Integrated Resource Plan, which includes an analysis of future supply and demand, the Moffat Collection System is at risk of running out of water in a single dry year. The analysis concluded that the Moffat system needs an additional 18,000 acre-feet of firm yield to mitigate supply vulnerabilities and add reliability and balance to our water supply system.

Instead of proposing a specific project to add this extra capacity to the Moffat system, Denver Water entered into the regulatory process with the U.S. Army Corps of Engineers to identify various options for meeting this need. In collaboration with the U.S. Environmental Protection Agency and the Federal Energy Regulatory Commission, the Corps is preparing an Environmental Impact Statement (EIS) to evaluate the potential effects of these options. The Corps is expected to release a draft EIS for public review in late 2007 or early 2008.

### **Lupton Lakes Storage Facility**

In other efforts to protect the reliability of our supplies, we purchased 11,400 acre-feet of storage capacity at the Lupton Lakes gravel pit property in Fort Lupton, Colorado, in September. This storage facility will be used to recapture and regulate reusable return flows from imports of West Slope water. Its purchase involved contracts with the South Adams County Water and Sanitation District and the Farmers Reservoir and Irrigation Company. Denver Water's contribution to the purchase price was \$11.7 million.

### **Miller Reservoir**

Upgrading the Cat and Miller gravel pits (discussed earlier in this document) will also expand our ability to capture and store reusable return flows.

## **INFORMATION TECHNOLOGY REVITALIZATION**

Denver Water's Information Technology (IT) Division develops, implements, and supports the utility's computer applications, data center operations, and technology infrastructure. In 2006 the IT staff moved forward with a multiyear plan to update the utility's aging information infrastructure in order to further streamline operating procedures and enhance our ability to respond to customer needs.

### **New Software Systems**

Integrated Budgeting and Planning System. A new \$350,000 budgeting and planning system, developed and implemented this year, improves the utility's fiscal accountability by integrating annual budgeting and 10-year planning data in a common database.

Work and Maintenance Management System Upgrades. In 2006 we installed the latest version of our work and maintenance management software, as well as new automated workflow capability

## YEAR IN REVIEW – 2006 (Continued)

to support the utility's treatment plant operations and maintenance shops. These upgrades cost \$200,000.

Mobile Workforce Automation System. Since July, Denver Water's Mobile Workforce Automation Team has been working with a software vendor to design a mobile workforce tracking system that will permit real-time management of our field operations. The project's design phase, expected to be finished in the spring of 2007, will culminate in recommendations for the implementation phase. For an estimated cost of \$1.6 million, the new system will generate electronic work orders and automatically schedule, dispatch, and track the location of field employees, speeding up customer service response times and increasing productivity.

Customer Information System. An up-to-date Customer Information System (CIS), also aimed at improving customer service, will boost our ability to track customer account information—from the sale of the original tap to the most recent bill. This capability will support a number of information-driven initiatives, including monthly billing and expanded online, in-person, and voice-activated customer services. The new CIS will also enable staff to analyze water savings more specifically and to administer alternative rate designs that may be necessary to achieve the utility's demand-management and revenue goals.

The process of procuring and implementing the new CIS system is expected to take as long as 36 months. The goal is to have the system online by the second half of 2009.

### **Geographic Information System Update**

Denver Water's Geographic Information System (GIS) captures and stores data about the tens of thousands of stationary assets that make up our water supply and distribution infrastructure. The database is used by office staff, field employees, and other agencies such as the Denver Fire Department so keeping it up-to-date is vital. We began a substantial upgrade of the GIS database in 2002, and this year we hired supplemental contract resources at a cost of \$155,500 to help us eliminate the remaining backlog of GIS updates.

In addition to improving the accuracy of our electronic maps, the updates will help us meet the upcoming requirements of the Stage 2 Disinfectants/Disinfection By-products Rule promulgated in January 2006. This federal regulation requires a calibrated computer hydraulic model reflecting how water flows through our entire distribution system. In order for the model to accurately predict disinfection by-product concentrations throughout the distribution network, our GIS database must be completely current.

### **IT Facility Upgrades**

Telecommunication Improvements. The telecommunications equipment that transmits data from Denver Water's primary IT center at the Administration Building to the backup IT facility at Foothills Treatment Plant was upgraded this year. The new equipment provides the additional bandwidth needed to transfer more data at a faster rate. The 60-month lease for the upgraded facilities will cost just under \$348,000.

Computer Room HVAC Renovation. A \$200,000 renovation of the antiquated HVAC system in the Administration Building's computer room now ensures that our computer systems will operate without the risk of overheating.

## **LEGAL ISSUES**

### **State and Federal Legislation**

Restrictions on Public Benefits, Contractor Employees. New state laws that went into effect in August 2006 apply to Denver Water's rebate program and its contracts with private companies. Colorado House Bill 1023 requires applicants for rebates to provide verification that they are in the United States legally. Colorado House Bill 1343 requires contractors for public entities to certify that they do not hire individuals who are in the United States illegally. Our legal staff has modified our rebate applications and standard contracts to incorporate these new requirements.

Recreational In-Channel Diversions. Colorado Senate Bill 37 governing in-channel diversions for recreational use was signed into law in May 2006. The new legislation requires that recreational in-channel diversions (RICDs) be designed by a professional engineer, prevents lawfully stored water from being called for an RICD water right, specifies that RICDs can be used only from April 1 through Labor Day, and prohibits motorized boating in RICDs. These provisions could affect and possibly protect Denver Water's supplies.

Lawn Irrigation Return-Flow Adjudication. Turf irrigation and other outdoor water uses within Denver Water's service area generate reusable water that is returned to the South Platte River each year. Through the state water court, Denver Water is seeking the right to reuse these return flows to support or supplement applications of nonpotable water throughout its service area. Since our application with the water court was filed in 2004, the court has received 36 statements of opposition to our return-flow claims. To obtain a decree, we must address the concerns of each objector.

Toward this end, in 2005 we produced an engineering analysis of the timing, location, and amount of return flows generated by our customers' outdoor water use. In 2006 our staff and consultants continued working to quantify return flows attributable to fully consumable supplies in order to deal with the objections to our claims.

### **Regulatory Issues**

Stage 2 Disinfectants/Disinfection By-products Rule. The U.S. Environmental Protection Agency promulgated new water quality standards related to disinfection practices in January 2006. Among the steps Denver Water is taking to comply with these standards by the required deadline are installing a new chlorine contact basin at the Foothills Treatment Plant and updating our Geographic Information System database to improve our ability to measure water quality parameters throughout our distribution system. Details of these undertakings are described elsewhere in this document.

## **PROPERTY MANAGEMENT**

### **Sediment Excavation**

Continuing erosion in the area burned by the Hayman Fire has caused immense buildup of sedimentation in the area surrounding Cheesman Reservoir. Sediment dams constructed at Turkey and Goose Creeks have helped protect the reservoir, but during the past year approximately 60,000 cubic yards of sediment accumulated behind the Turkey Creek dam. Denver Water staff excavated the sediment trap this fall, using a bulldozer, specialized excavators, and articulated trucks leased from a local vendor for \$240,000.

### **Forest Management Services**

For some years, the Colorado State Forest Service has provided contract forest- and land-management services on Denver Water's mountain property, and this arrangement has been especially beneficial over the past few years. The Forest Service has implemented a vegetation recovery program in the area burned by the Hayman Fire; established sound forest-management practices on Denver Water land in Jefferson, Douglas, and Grand Counties; and combated pine beetle problems in Grand and Summit Counties. The cost of the annual contract renewed in April was \$279,000.

### **Property Sales and Acquisitions**

Sale of High Line Canal Property in Adams County. A 1.1-acre parcel of land formerly associated with the High Line Canal was deemed no longer useful for Denver Water's operations and was sold to a private company. This portion of the canal is beyond the last operating lateral, near Green Valley Ranch in Adams County, and has not operated for more than 30 years. Net proceeds from the sale were just under \$83,000.

Sale of Transferable Development Rights. In August we entered into an option agreement allowing Copper Mountain, Inc., to purchase 33 transferable development rights (TDRs) attached to Denver Water's Blight Placer property in the Snake River Planning District in Summit County. TDR programs allow landowners to separate the right to develop land from their other property rights. When these development rights are sold, transferring them requires the exchange of zoning privileges from the sending area to the receiving area. Copper Mountain plans to use the TDRs for additional development at its ski resort.

The agreement provides for two six-month option periods, each costing Copper Mountain, Inc., a nonrefundable \$25,000. The current purchase price of the TDRs is about \$1 million. The sale will be tied to Summit County's completion of a process allowing the TDRs to be transferred from the Snake River Sub-basin to either the Ten Mile Sub-basin or the Blue River Main Stem Sub-basin.

Augmentation of Southgate Service Area. In April 2006, Denver Water's Board of Commissioners approved adding 53.39 acres in Douglas County to the Southgate Water District's Distributor Contract Service Area. The acquisition corrects an error made when this portion of Denver Water's Combined Service Area was defined in 1995, resulting in the omission of this portion of Southgate's service area. The minor addition is not expected to affect Southgate's water requirements.



Acquisition of South Boulder Diversion Canal Easement. Denver Water has acquired an easement necessary to maintain the South Boulder Diversion Canal in Jefferson County. Access to this property allows us to control earth movement and slippage along parts of the canal.

### **Security Measures**

Terrorist attacks and natural disasters have made water utilities across the country more aware of the need to back up crucial data and ensure their ability to operate in the event of some natural or human-caused calamity. With this in mind, Denver Water has upgraded all of its security measures.

## **OPERATIONAL EFFICIENCIES**

### **Large Meter Replacement Program**

A three-year program to upgrade the meters of customers who use large volumes of water is aimed at making these meters compatible with Denver Water's automatic meter-reading system. The old meters, which range from 1½ to 16 inches in size, cannot be retrofitted with transmitters like new residential meters, and they tend to under-register the amount of water passing through. Replacing them will give us more accurate information about the actual water use of large-meter customers. In 2006 we replaced 484 large meters at a cost of \$1.3 million, bringing the total number of large meters replaced to 2,887 by the end of the year.

### **Refining Construction Management Practices**

In another effort to streamline operations, Denver Water has fine-tuned the bidding and management procedures associated with its capital construction projects. Consultants in 2006 compared our processes with best management practices across the region and the nation. They found no fundamental flaws in our procedures but recommended several refinements.

Among the modifications adopted for implementation in 2007 are involving Operations and Maintenance Division staff early in the process of capital project design, defining review and approval procedures for change orders to contracts, applying experience from previous projects to minimize change orders, and training designated staff members in negotiating strategies and in understanding the project scheduling software used by contractors.

### **Outsourcing Noncore Functions**

As a consequence of our systemwide search for cost-saving opportunities, we have begun using contract services for several tasks that do not represent core utility functions.

Selected Human Resources Programs. Several employee benefit programs that were traditionally managed internally are now being administered by two outside companies that specialize in this line of work. One outside firm will provide coverage and administrative services for employee life insurance and long-term and short-term disability insurance. The life insurance premiums offered by this company are slightly lower than those of the prior carrier. Although Denver Water will continue to self-insure the 36 current recipients of long-term disability benefits, future recipients will be covered by a policy available through the outside company for an annual premium of \$338,000. The other firm will handle employee flexible spending accounts, COBRA health insurance benefits, and retiree premium billing for an annual cost of just under \$30,000.

If these outsourced services prove adequate, we will assess the possibility of adjusting our workforce commensurately.

Administration Building Cleaning Services. Since April 2006, an outside vendor has been providing janitorial services at Denver Water's Administration Building. The cost of the first 12-month contract for these services was \$160,000, including all paper and cleaning products. This change eliminated the seven full-time positions previously allocated to cleaning the building, and we estimate the new arrangement will save about \$237,000 per year. The contract went to a Small Disadvantaged Business Enterprise, after several other bidders were eliminated on the basis of reference checks or financial stability.

### **Integrating Water Quality Monitoring and Reporting**

Denver Water is working to secure permission from the U.S. Environmental Protection Agency and the state to integrate water quality monitoring and reporting across our entire water system rather than requiring each of our distributors to conduct individual monitoring programs and submit separate reports. Integrating these functions would support public health and would result in substantial cost savings to each distributor.

## **COLLABORATION WITH OTHER WATER PURVEYORS**

Water providers across Colorado face the same fundamental challenge: balancing the state's limited, fluctuating water supplies with the diverse needs of a growing population. Both East Slope and West Slope municipalities experienced growth in 2006, and we continued to play a leading role in comprehensive negotiations to resolve ongoing points of conflict between Denver Water and its western Colorado neighbors. We are also exploring various avenues for enhancing water delivery mechanisms and water use efficiency among Front Range water purveyors.

### **South Metro Water Supply Authority**

The metropolitan area south of Denver faces particularly difficult water supply challenges. One of the fastest-growing regions in the state, it is seeking ways to decrease its dependence on finite groundwater supplies and find more sustainable sources. In a pilot project with the South Metro Water Supply Authority, a group of Douglas County water providers, we are examining the conservation programs of Authority members and working in partnership with them to help shift the water use culture of the entire metropolitan region toward more efficient use. In addition, we are exploring the feasibility of selling the Authority excess South Platte River water and reusable effluent on a limited basis when these sources are available in Denver Water's system.

### **Intergovernmental Agreement With Aurora**

After more than two years of discussion, Denver Water in April entered into an intergovernmental agreement establishing cooperative water supply arrangements with the City of Aurora. The agreement formalizes a number of operational relationships already forged by the two entities. Its provisions authorize spot sales of water and winter water deliveries to Aurora, allow Denver Water to lease Aurora's capacity in the Last Chance Ditch, permit Aurora to use Denver's Foothills Tunnel temporarily while Aurora's tunnel is repaired, and spell out agreements regarding minimum stream flows in Waterton Canyon. In 2006, Aurora purchased

2,000 acre-feet of reusable raw water at \$347 per acre-foot and 3,210 acre-feet of single-use raw water at \$231 per acre-foot for a total of \$1.4 million.

## **FINANCIAL DILIGENCE**

In accordance with Denver Water's charter directive to provide high-quality potable water at rates as low as good service permits, we have ratified a number of changes that will contribute to Denver Water's sound financial health. Adjustments in water rates, system development charges, capital project management practices, and cost-sharing for employee healthcare insurance premiums form the backbone of these changes.

### **Water Rates**

In September Denver Water's Board of Commissioners approved a new water rates structure that becomes effective January 1, 2007. The new structure imposes a fixed service charge rather than a meter charge and communicates our water efficiency goals to customers by raising rates for defined blocks of increased water use. The bimonthly service charge, no longer based on the size of the customer's meter, will be \$5.98, lower than the \$9.76 currently paid by most residential customers. By relating water bills directly to actual consumption, the inclining-block rate structure allows customers to better control their costs by reducing water use.

### **System Development Charges**

System development charges (SDCs), the fees builders pay to connect new or expanded developments to our water distribution system, are designed to recover the cost of the system capacity required to serve these new demands. Analyzed annually, these fees are based on the value of Denver Water's capacity and the amount of capacity needed by the customer. Our SDCs rose by an average of 7.8 percent in April 2006.

In November the Board authorized additional SDC increases to become effective in January 2007. These adjustments are necessary because of anticipated changes in the market value of the utility's water rights and price hikes associated with the cost of maintaining current and future capacity-related facilities. In 2007 SDCs for treated-water taps will increase by an average of 9.8 percent for both residential and nonresidential customers; SDCs for untreated and recycled water will increase 6.3 percent.

### **Ten-Year Financial Plan**

Denver Water remains financially strong, despite unforeseen fiscal challenges caused by drought, wildfire damage in our watersheds, and climbing costs for construction materials. Among the pillars that undergird this strength are an annual analysis of the utility's fiscal condition and the formulation of a forward-looking 10-year Financial Plan. Anticipating that customers will uphold some drought-mandated measures from the past and will adopt additional water-wise practices as a result of our Accelerated Conservation Plan, the current Financial Plan pays particular attention to the impact of reduced water sales on revenue.

Continuing reductions in water sales will dictate periodic changes in water rates, SDCs, and debt loads to ensure that we are recovering the full cost of serving customers. These adjustments will

enable us to sustain the utility's financial health as we complete supply-related construction projects and maintain the integrity of our distribution network.

### **Employee Benefit Programs**

Several changes designed to reduce the cost of Denver Water's employee benefit programs stem from a comprehensive review of these programs conducted in 2006. An independent consulting firm assisted our internal Benefit Evaluation Team in comparing Denver Water's benefit levels and costs with prevailing practices among similar entities. The decision to outsource the administration of several benefit programs (detailed earlier in this document) was one outcome of this study. Another outcome was a new employee healthcare insurance plan, which will become effective in January 2007.

We will continue to evaluate this study's recommendations regarding other employee benefit programs and institute modifications as appropriate.

### **Adjustments to Carrier Ditch Rates**

In March 2006 Denver Water raised rates for water deliveries through two of its carrier ditches. Rates for High Line Canal deliveries rose by 3.8 percent, and rates for deliveries through the Harriman Lake Ditch rose by 2 percent. The new prices were established to recover projected 2006 operation and maintenance expenses, depreciation, and a return related to the utility's investment in each facility.

### **Adoption of the 2007 Budget**

In December Denver Water's Board of Commissioners adopted the 2007 budget. Although water demand in 2007 is projected to be almost 17 percent below historical norms, water rate increases averaging 7 percent are expected to offset the decline in volume of sales. Water sales in 2007 are expected to yield approximately \$190 million, surpassing budgeted sales for 2006 by \$25.5 million, or more than 15 percent.

Total capital costs in 2007 are projected at \$99 million. More than a third of this sum is accounted for by four major projects—the chlorine contact basin at Foothills Treatment Plant, expanded storage and distribution facilities for the Recycled Water System, the Gross Reservoir Hydroelectric Station, and the new Customer Information System.

Based on projected receipts and expenditures, Denver Water's financial reserves are expected to remain relatively stable at just under \$148 million at the end of 2007.

# FINANCIAL SECTION

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## Independent Accountants' Report on Financial Statements and Supplementary Information

To the Honorable Dennis J. Gallagher, Auditor  
and the Board of Water Commissioners  
City and County of Denver, Colorado

We have audited the accompanying basic financial statements of the Board of Water Commissioners, City and County of Denver, Colorado (the Board), a component unit of the City and County of Denver, Colorado, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Board as of and for the year ended December 31, 2005, were audited by other accountants whose report dated March 24, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Board of Water Commissioners, City and County of Denver, Colorado as of December 31, 2006, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Dennis J. Gallagher, Auditor  
and the Board of Water Commissioners  
Page 2

Our audit was conducted for the purpose of forming an opinion on the Board's basic financial statements. The accompanying supplementary information, as listed in the financial section of the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the introductory and statistical sections, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

March 30, 2007



BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2006 AND 2005

The following is management's discussion and analysis ("MD&A") of the financial activities of the Board of Water Commissioners (the "Board") for the years ended December 31, 2006 and 2005. This information should be read in conjunction with the financial statements which follow.

**FINANCIAL HIGHLIGHTS** (See details in following sections)

The Board's financial position improved during 2006, primarily due to increased water sales as a result of increased consumption.

- There was an *operating income* of \$54.7 million in 2006 compared to \$29.2 million in 2005, an increase of 87%.
- There was *income before capital contributions* of \$44.0 million in 2006 compared to \$13.8 million in 2005, an increase of 218%.
- *Capital contributions* were \$32.1 million in 2006 compared to \$40.2 million in 2005, a decrease of 20%.
- *Net assets* were \$1.370 billion at December 31, 2006 compared to \$1.293 billion at December 31, 2005, an increase of 6%.
- *Capital asset additions* were \$102.5 million in 2006 compared to \$81.9 million in 2005, an increase of 25%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Board's basic financial statements, which are comprised of four components: 1) statements of net assets, 2) statements of revenues, expenses and changes in fund net assets, 3) statements of cash flows, and 4) notes to the financial statements. The Board also provides certain supplementary information which is presented for additional analysis and is not a required part of the basic financial statements.

The **statements of net assets** present information on all of the Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The **statements of revenues, expenses and changes in fund net assets** present information showing how the Board's net assets changed during the years presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is known as the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future (e.g., unbilled water revenue and earned but unused vacation leave) or that may have occurred in the past (e.g., amortization of debt premiums or discount and prepaid contributed capital). This statement measures the success of the Board's activities and can be used to determine whether the Board has successfully recovered all its costs through its water rates and other charges.

The **statements of cash flows** report cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities, and investing activities for the years presented.

The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the financial statements, such as the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

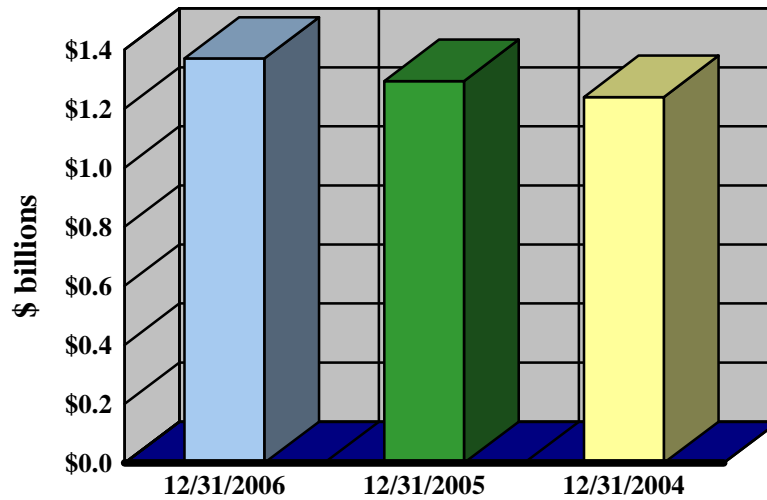
**Supplementary information** provides details of the Board's capital assets and bonded debt.

## **FINANCIAL ANALYSIS**

### **NET ASSETS**

As discussed above, net assets may serve over time as a useful indicator of the Board's financial position. The Board's net assets were \$1.370 billion at December 31, 2006, an increase of \$76.1 million or 6% from December 31, 2005. Net assets were \$1.293 billion at December 31, 2005, an increase of \$54.0 million or 4% from December 31, 2004 (see Figures 1 and 2 and Table 1).

**Figure 1 - Net Assets**



**Table 1 - Condensed Statements of Net Assets**  
(amounts expressed in thousands)

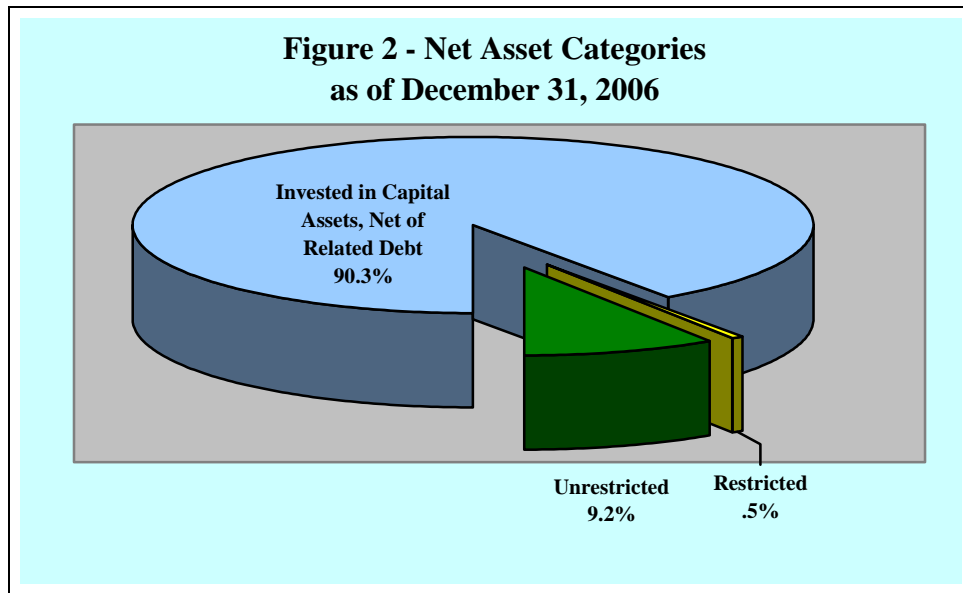
	As of December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	% Change	Increase (Decrease)	% Change
	Current and other assets	\$ 206,847	\$ 202,646	\$ 189,687	\$ 4,201	2%	\$ 12,959
Capital assets, net	1,589,873	1,529,484	1,484,530	60,389	4%	44,954	3%
<b>Total assets</b>	<b>1,796,720</b>	<b>1,732,130</b>	<b>1,674,217</b>	<b>64,590</b>	<b>4%</b>	<b>57,913</b>	<b>3%</b>
Current liabilities	61,012	49,395	48,871	11,617	24%	524	1%
Noncurrent liabilities	366,057	389,230	385,890	(23,173)	(6)%	3,340	1%
<b>Total liabilities</b>	<b>427,069</b>	<b>438,625</b>	<b>434,761</b>	<b>(11,556)</b>	<b>(3)%</b>	<b>3,864</b>	<b>1%</b>
<u>Net assets:</u>							
Invested in capital assets, net of related debt	1,236,642	1,151,459	1,109,875	85,183	7%	41,584	4%
Restricted	7,021	7,723	7,002	(702)	(9)%	721	10%
Unrestricted	125,988	134,323	122,579	(8,335)	(6)%	11,744	10%
<b>Total net assets</b>	<b>\$ 1,369,651</b>	<b>\$ 1,293,505</b>	<b>\$ 1,239,456</b>	<b>\$ 76,146</b>	<b>6%</b>	<b>\$ 54,049</b>	<b>4%</b>

The largest portion of the Board's net assets reflects its investment in capital assets (i.e., utility plant), less any related debt used to acquire those assets. The Board uses these capital assets to provide water, consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, the resources to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be liquidated to repay these liabilities.

A small portion of the Board's net assets represents resources that are subject to external restrictions on how they may be used. The Board's 2006 restricted net assets consist of a \$0.9

million debt service reserve fund for revenue bonds included in temporary cash investments, and a \$6.1 million reserve fund required for the Certificates of Participation capital lease (“COPs”) displayed in deferred charges. For 2005, restricted net assets consisted of the \$1.7 million debt service reserve fund and the \$6.0 million COPs reserve fund. For 2004, restricted net assets consisted of the \$1.1 million debt service reserve fund and the \$5.9 million COPs reserve fund.

The remaining balance of the Board’s net assets represents unrestricted net assets and may be used to meet the Board’s ongoing obligations to creditors.



The Board’s increase in net assets during 2006 of \$76.1 million or 6% indicates an improved financial position.

**CHANGE IN NET ASSETS**

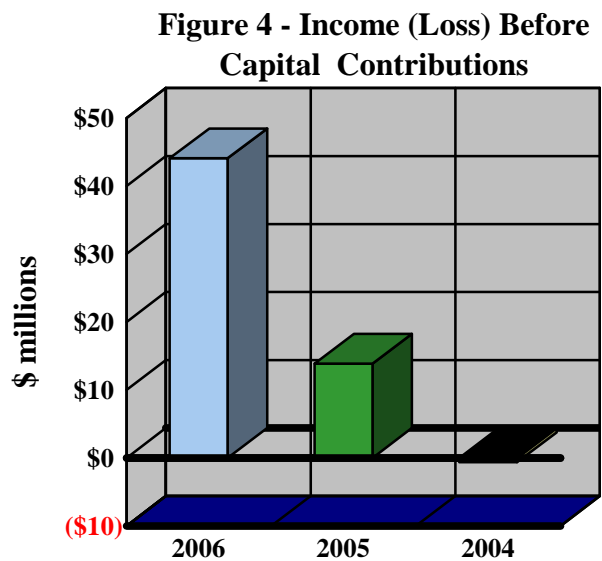
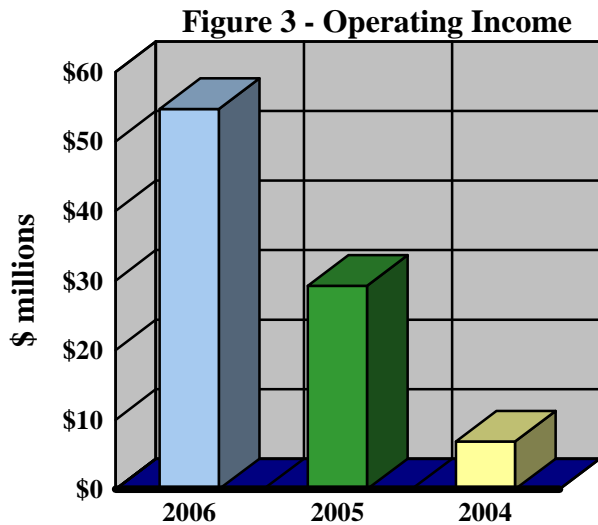
While the statements of net assets display the Board’s assets, liabilities and net assets at year-end, the statements of revenues, expenses and changes in fund net assets provide information on the source of the change in net assets during the year. The increase in net assets of \$76.1 million in 2006 consisted of income before capital contributions of \$44.0 million and capital contributions of \$32.1 million. The increase in net assets of \$54.0 million in 2005 consisted of income before capital contributions of \$13.8 million and capital contributions of \$40.2 million (see Table 2).

**Table 2 - Condensed Statements of Revenues, Expenses and Changes in Fund Net Assets**  
(amounts expressed in thousands)

	Years Ended December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	% Change	Increase (Decrease)	% Change
	Operating revenues	\$ 201,058	\$ 165,879	\$ 141,508	\$ 35,179	21%	\$ 24,371
Nonoperating revenues	10,374	7,029	10,941	3,345	48%	(3,912)	(36)%
<b>Total revenues</b>	<b>211,432</b>	<b>172,908</b>	<b>152,449</b>	<b>38,524</b>	<b>22%</b>	<b>20,459</b>	<b>13%</b>
Operating expenses	146,371	136,631	134,637	9,740	7%	1,994	1%
Nonoperating expenses	21,011	22,419	18,435	(1,408)	(6)%	3,984	22%
<b>Total expenses</b>	<b>167,382</b>	<b>159,050</b>	<b>153,072</b>	<b>8,332</b>	<b>5%</b>	<b>5,978</b>	<b>4%</b>
<b>Income (loss) before capital contributions</b>	<b>44,050</b>	<b>13,858</b>	<b>(623)</b>	<b>30,192</b>	<b>218%</b>	<b>14,481</b>	<b>-</b>
Capital contributions	32,096	40,191	47,835	(8,095)	(20)%	(7,644)	(16)%
<b>Increase in net assets</b>	<b>76,146</b>	<b>54,049</b>	<b>47,212</b>	<b>22,097</b>	<b>41%</b>	<b>6,837</b>	<b>14%</b>
Beginning net assets	1,293,505	1,239,456	1,192,244	54,049	4%	47,212	4%
Ending net assets	<b>\$ 1,369,651</b>	<b>\$ 1,293,505</b>	<b>\$ 1,239,456</b>	<b>\$ 76,146</b>	<b>6%</b>	<b>\$ 54,049</b>	<b>4%</b>

There was an **operating income** (operating revenues less operating expenses—not reflected in Table 2, see *Statements of Revenues, Expenses and Changes in Fund Net Assets*) of \$54.7 million in 2006, compared to \$29.2 million in 2005 and \$6.9 million in 2004 (see Figure 3).

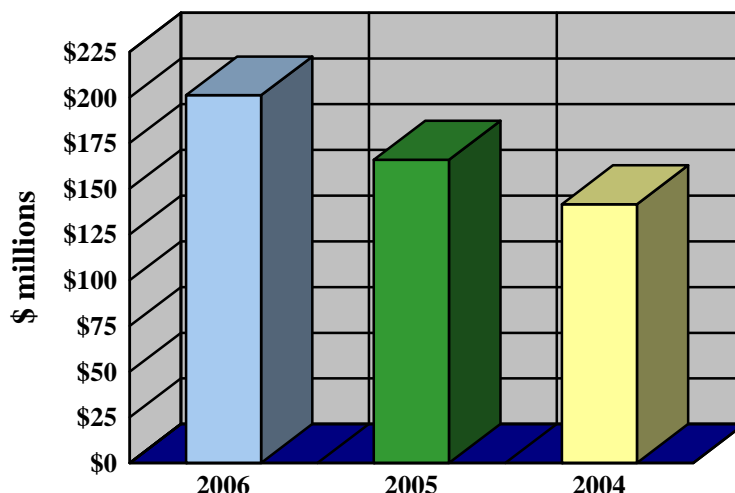
There was **income before capital contributions** of \$44.0 million in 2006 compared to \$13.8 million in 2005 and a loss of \$0.6 million in 2004 (see Figure 4).



Specifically, major changes in the statements of revenues, expenses and changes in fund net assets were as follows:

- **OPERATING REVENUES** in 2006 increased \$35.2 million, or 21% from 2005. They increased \$24.4 million, or 17% between 2005 and 2004 (see Figure 5 and Table 3).

**Figure 5 - Operating Revenues**



Years Ended December 31,			2006 - 2005		2005 - 2004		
	2006	2005	2004	Increase (Decrease)	% Change	Increase (Decrease)	% Change
<b>Water:</b>							
Water sales	\$ 193,747	\$ 158,522	\$ 127,071	\$ 35,225	22%	\$ 31,451	25%
Drought surcharges	(4)	(68)	9,067	(64)	(94)%	(9,135)	(101)%
	<u>193,743</u>	<u>158,454</u>	<u>136,138</u>	<u>35,289</u>	<u>22%</u>	<u>22,316</u>	<u>16%</u>
<b>Power generation and other:</b>							
Power sales	2,447	2,943	1,568	(496)	(17)%	1,375	88%
Special assessments	4,868	4,482	3,802	386	9%	680	18%
	<u>7,315</u>	<u>7,425</u>	<u>5,370</u>	<u>(110)</u>	<u>(1)%</u>	<u>2,055</u>	<u>38%</u>
Total operating revenues	<u>\$ 201,058</u>	<u>\$ 165,879</u>	<u>\$ 141,508</u>	<u>\$ 35,179</u>	<u>21%</u>	<u>\$ 24,371</u>	<u>17%</u>

**Water sales** in 2006 increased due to a 9% increase in treated water consumption (74.722 billion gallons in 2006 compared to 68.474 billion gallons in 2005) and a rate increase effective January 1, 2006. Except for mandatory drought restrictions, changes in water consumption from year to year are directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of consumers and the customer base.

Water sales in 2005 increased due to a 13% increase in treated water consumption (68.474 billion gallons in 2005 compared to 60.578 billion gallons in 2004) and a rate increase effective January 1, 2005. The increased consumption was due to the removal of mandatory drought restrictions and surcharges as a result of improved reservoir conditions, and a hotter and drier summer in 2005 compared to 2004.

**Drought surcharges** on water consumption were imposed by the Board from May 1, 2004 through August 30, 2004, and a tap surcharge was effective April 14, 2004 through August 30, 2004. Proceeds from the tap surcharge were used for conservation rebates.

In response to customer concerns and comments about the 2004 consumption surcharge calculation methodology, on October 27, 2004 the Board decided to recalculate the surcharges taking into account individual usage and savings, and make full or partial refunds. Negative balances in 2005 and 2006 represent refunds of surcharges.

**Power Sales** consist of sales of electricity to Xcel Energy and Tri-State Generation and Transmission Associates from six power generating facilities: Dillon, Foothills, Hillcrest, Roberts Tunnel, Strontia Springs and Williams Fork. Because power is generated by use of water turbines, differences in power sales from year to year are caused primarily by increases or decreases in water flows due to weather conditions or interruptions of power generating operations for repairs and maintenance.

**Special assessments** consist primarily of delinquent bill charges, hydrant meter revenue, turn-off/turn-on charges, and charges for water violations and exemption permits. Differences from year to year are caused by increases or decreases in one or more of these components.

- **NONOPERATING REVENUES** in 2006 increased \$3.3 million, or 48% from 2005. They decreased \$3.9 million, or 36% between 2005 and 2004 (see Table 4).

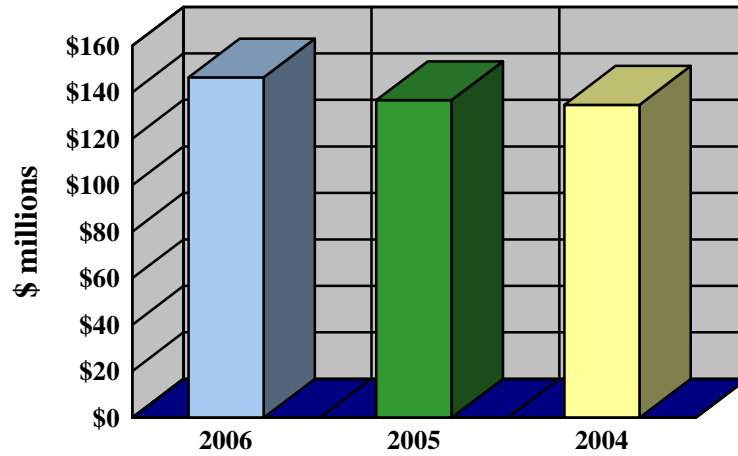
	Years Ended December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	%	Increase (Decrease)	%
				Change	Change	Change	Change
Investment income	\$ 7,491	\$ 4,295	\$ 4,777	\$ 3,196	74%	\$ (482)	(10)%
Gain on disposition of capital assets	-	-	3,237	-	-	(3,237)	-
Other nonoperating income	2,883	2,734	2,927	149	5%	(193)	(7)%
Total nonoperating revenues	<u>\$ 10,374</u>	<u>\$ 7,029</u>	<u>\$ 10,941</u>	<u>\$ 3,345</u>	48%	<u>\$ (3,912)</u>	(36)%

**Investment income** increased in 2006 due to both higher average investment balances and higher investment rates on most money market securities. The decrease during 2005 was due to the flattening of the yield curve as the Federal Reserve increased short term interest rates. As a result, the market value of bonds having maturities in the middle portion of the curve decreased, which reduced investment income for the year. This impact was particularly noticeable in the second half of 2005 and prompted the Board to significantly reduce the duration of the portfolio.

The 2004 **gain on disposition of capital assets** was the sale of 606 acres of Fraser River land near Winter Park to Koelbel & Company.

- **OPERATING EXPENSES** in 2006 increased \$9.7 million, or 7% from 2005. They increased \$2.0 million, or 1% between 2005 and 2004 (see Figures 6, 7, 8 and Table 5).

**Figure 6 - Total Operating Expenses**



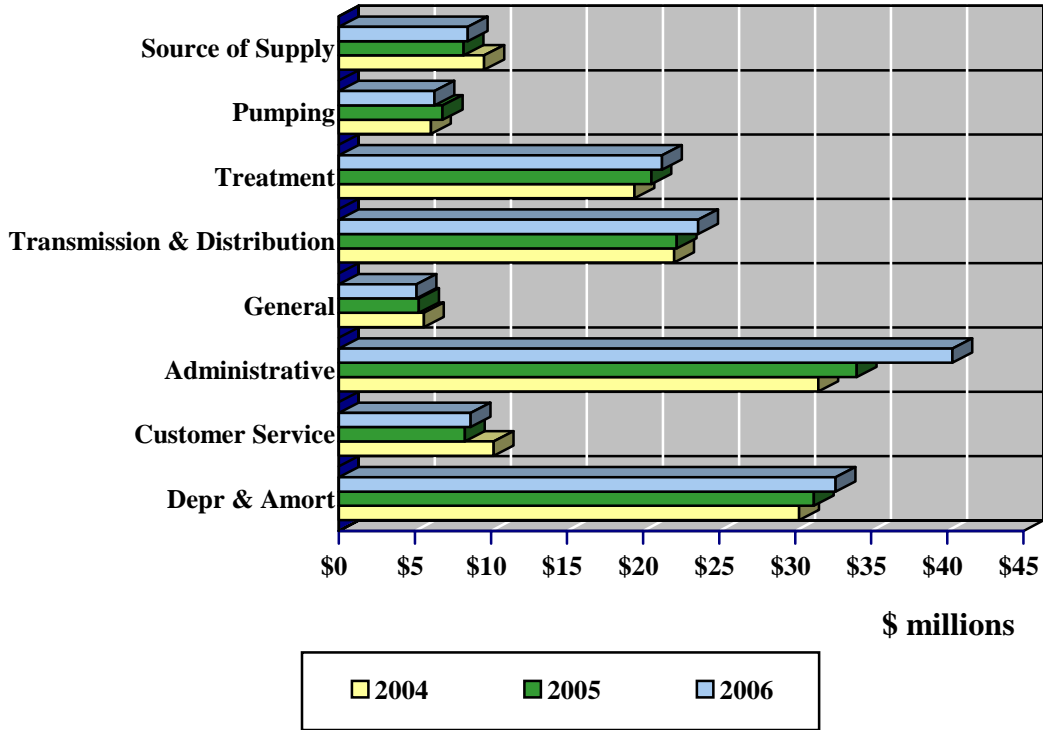
**Table 5 - Operating Expenses by Category**

(amounts expressed in thousands)

	Years Ended December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Source of supply	\$ 8,477	\$ 8,207	\$ 9,558	\$ 270	3%	\$ (1,351)	(14)%
Pumping	6,281	6,823	6,053	(542)	(8)%	770	13%
Treatment	21,236	20,552	19,436	684	3%	1,116	6%
Transmission & distribution	23,613	22,215	22,044	1,398	6%	171	1%
General	5,103	5,267	5,591	(164)	(3)%	(324)	(6)%
Administrative	40,336	34,045	31,513	6,291	18%	2,532	8%
Customer service	8,669	8,290	10,174	379	5%	(1,884)	(19)%
Depreciation and amortization	32,656	31,232	30,268	1,424	5%	964	3%
<b>Total operating expenses</b>	<b>\$ 146,371</b>	<b>\$ 136,631</b>	<b>\$ 134,637</b>	<b>\$ 9,740</b>	<b>7%</b>	<b>\$ 1,994</b>	<b>1%</b>



Figure 7 - Operating Expenses by Category



Major changes were as follows:

2006

*Transmission & Distribution* increased primarily due to increased repair and maintenance of mains and meters.

*Administrative* increased primarily due to increased costs in Public Affairs/Community Relations, Legal, and Engineering/Distribution and Property Management.

*Depreciation & Amortization* increased due to increased capital asset additions.

2005

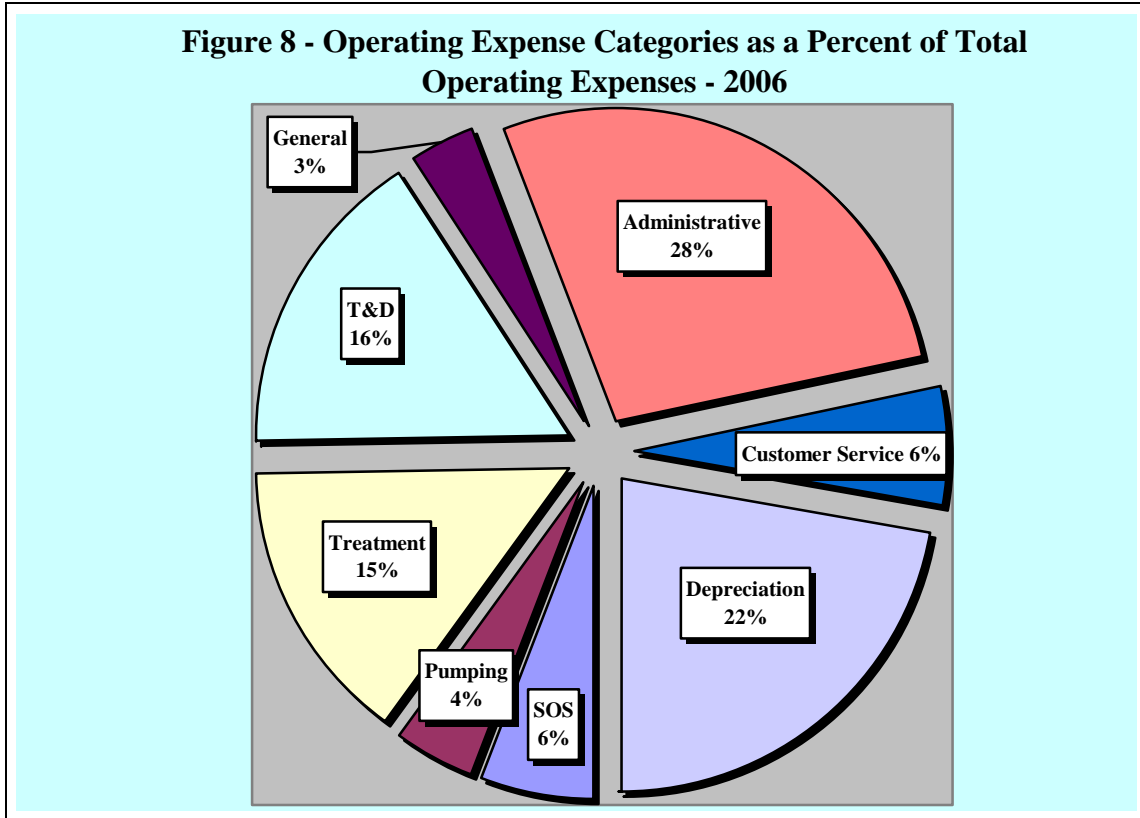
*Source of supply* decreased due to the continuing reduction of reclamation work at Cheesman Reservoir to stabilize the slopes damaged by the 2002 Hayman Fire, and higher power interference costs at Dillon during 2004.

*Treatment* increased due to increased operating costs of Foothills, Moffat and Marston, specifically, chemicals and utilities.

*Administrative* increased due to higher costs in Information Technology, and Engineering/Programs and Projects.

*Customer Service* decreased due to the continuing decrease in drought related activities as a result of improved reservoir conditions and the removal of mandatory drought restrictions.

*Depreciation & Amortization* increased due to increased capital asset additions.



- **NONOPERATING EXPENSES** in 2006 decreased \$1.4 million, or 6% from 2005. They increased \$4.0 million, or 22% between 2005 and 2004 (see Table 6).

**Table 6 - Nonoperating Expenses**  
(amounts expressed in thousands)

	Years Ended December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	%	Increase (Decrease)	%
Interest expense	\$ 15,368	\$ 16,353	\$ 15,283	\$ (985)	(6)%	\$ 1,070	7%
Loss on disposition of capital assets	2,922	3,097	-	(175)	(6)%	3,097	-
Other nonoperating expense	2,721	2,969	3,152	(248)	(8)%	(183)	(6)%
<b>Total nonoperating expenses</b>	<b>\$ 21,011</b>	<b>\$ 22,419</b>	<b>\$ 18,435</b>	<b>\$ (1,408)</b>	<b>(6)%</b>	<b>\$ 3,984</b>	<b>22%</b>

*Interest expense* decreased in 2006 and increased in 2005 due to higher interest expense capitalized for various construction projects in 2006 and 2004. When interest is capitalized, the interest is added to the cost of the project rather than being included in interest expense.

*Loss on disposition of capital assets* was a result of the demolition and write-off of the Capital Hill Basin #2 as part of the recycled water project (see Note 17, *Contract Commitments*). This loss was partially offset by a gain on the sale of the old Hugh M. Woods site, and the sale of 22.57 acres of the High Line Canal for residential development. In 2005, the loss was a result of write-offs of obsolete assets at Marston and the West Side complex.

- **CAPITAL CONTRIBUTIONS** in 2006 decreased \$8.1 million, or 20% from 2005. They decreased \$7.6 million, or 16% between 2005 and 2004 (see Table 7).

	Years Ended December 31,			2006 - 2005		2005 - 2004	
	2006	2005	2004	Increase (Decrease)	%	Increase (Decrease)	%
	2006	2005	2004	(Decrease)	Change	(Decrease)	Change
Contributions in aid of construction	\$ 11,245	\$ 14,072	\$ 11,374	\$ (2,827)	(20)%	\$ 2,698	24%
System development charges	20,851	26,119	36,461	(5,268)	(20)%	(10,342)	(28)%
Total capital contributions	<u>\$ 32,096</u>	<u>\$ 40,191</u>	<u>\$ 47,835</u>	<u>\$ (8,095)</u>	(20)%	<u>\$ (7,644)</u>	(16)%

*Contributions in aid of construction* represent facilities, or cash payments for facilities, conveyed to the distribution system from property owners, governmental agencies and customers who receive benefit from such facilities. Differences from year to year are caused by the general level of construction activity in the Denver metropolitan area.

*System development charges* (“SDCs”) represent fees charged to customers to connect to the water system. Differences from year to year are also caused by the general level of construction activity in the Denver metropolitan area. The large decrease in 2005 was due to the recognition in 2004 of prepaid SDCs from Xcel Energy of \$12.5 million and Clayton Foundation of \$0.4 million for nonpotable water.

## **CAPITAL ASSET ACTIVITY**

The Board’s capital assets at December 31, 2006 and 2005 amounted to \$1.59 billion and \$1.53 billion, net of accumulated depreciation and amortization, respectively. Capital asset additions in 2006 and 2005 were \$102.5 million and \$81.9 million, respectively, an increase of \$20.6 million or 25%.

Information on Denver Water’s capital assets can be found in Note 4 to the financial statements and Exhibit I of the supplemental information in the 2006 audit report.

**Table 8 - Capital Additions**  
Year Ended December 31, 2006  
 (amounts expressed in thousands)

Conduits, mains, hydrants & valves	\$ 22,977
Recycle projects, conduits & mains	19,833
Land acquisitions	12,446
Gross Power Plant	10,215
Gravel pit projects	4,601
Computer Software and Information Technology projects	3,651
Water Storage Planning Project - Leyden Gulch/Gross Reservoir Expansion	2,920
Montclair Pump Station	2,881
Recycle Water Plant	2,538
Foothills Treatment Plant	2,331
11 Mile Reservoir	2,219
Ralston Reservoir	2,201
Vehicles & machine purchases	1,946
Large meter replacement	1,605
Other	10,094
	<u>\$ 102,458</u>

## **LONG-TERM DEBT ACTIVITY**

The Board issued \$100 million Series 2007 Water Revenue Bonds on March 29, 2007. The proceeds of this issue are restricted to reimbursement of amounts advanced by the Board for acquisition, construction and installation of capital improvements, as well as to fund similar costs to be expended in the future.

Information on Denver Water's long-term debt can be found in Notes 6, 7, 8 and 11 to the financial statements and Exhibits II-A through II-G of the supplemental information in the 2006 audit report.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance  
 Denver Water  
 1600 W. 12<sup>th</sup> Ave.  
 Denver, Co 80204-3412

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF NET ASSETS  
AS OF DECEMBER 31, 2006 AND 2005  
(amounts expressed in thousands)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 670	\$ 630
Temporary cash investments, at fair value, including accrued interest	128,653	130,231
Accounts receivable	18,806	16,650
Materials and supplies inventory, at weighted average cost	<u>5,556</u>	<u>6,060</u>
Total current assets	<u>153,685</u>	<u>153,571</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets:		
Utility plant	1,845,823	1,794,895
Nonutility plant	<u>9,074</u>	<u>9,018</u>
	1,854,897	1,803,913
Less accumulated depreciation and amortization	<u>(479,642)</u>	<u>(452,228)</u>
	1,375,255	1,351,685
Utility plant under capital lease, less accumulated amortization of \$26,453 and \$23,373, respectively	95,112	88,759
Construction in progress	<u>119,506</u>	<u>89,040</u>
Net capital assets	<u>1,589,873</u>	<u>1,529,484</u>
Other noncurrent assets:		
Long-term investments	24,665	31,517
Deferred charges and other assets, less accumulated amortization of \$243 and \$227, respectively	8,334	8,817
Long-term receivable	<u>20,163</u>	<u>8,741</u>
Total other noncurrent assets	<u>53,162</u>	<u>49,075</u>
Total noncurrent assets	<u>1,643,035</u>	<u>1,578,559</u>
Total assets	<u>1,796,720</u>	<u>1,732,130</u>

The accompanying notes are an integral  
part of these financial statements.

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF NET ASSETS  
AS OF DECEMBER 31, 2006 AND 2005  
(amounts expressed in thousands)

	2006	2005
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,785	\$ 4,059
Accrued payroll, vacation and other employee benefits	11,844	12,034
Construction contracts (including retainages of \$1,882 and \$694, respectively)	7,117	2,108
Accrued interest on long-term debt	3,127	3,429
Unearned revenue	84	-
Current portion of bonds payable:		
General obligation bonds	22,815	13,345
Revenue bonds	2,760	8,250
Current portion of obligations under capital lease:		
Certificates of participation	5,235	5,005
Other	1,245	1,165
	61,012	49,395
NONCURRENT LIABILITIES:		
Bonds payable, net:		
General obligation bonds	63,618	87,479
Revenue bonds	186,179	190,005
Obligations under capital lease:		
Certificates of participation	39,201	44,362
Other	25,061	26,306
Customer advances for construction	45,008	34,277
Accrued sick leave	4,569	4,483
Waste disposal closure and postclosure care	2,421	2,318
	366,057	389,230
Total liabilities	427,069	438,625
COMMITMENTS AND CONTINGENCIES		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,236,642	1,151,459
Restricted for debt service reserve funds	7,021	7,723
Unrestricted	125,988	134,323
	\$ 1,369,651	\$ 1,293,505

The accompanying notes are an integral  
part of these financial statements.

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Water	\$ 193,743	\$ 158,454
Power generation and other	7,315	7,425
	<u>201,058</u>	<u>165,879</u>
OPERATING EXPENSES:		
Source of supply, pumping, treatment and distribution	59,607	57,797
General and administrative	45,439	39,312
Customer service	8,669	8,290
Depreciation and amortization	32,656	31,232
	<u>146,371</u>	<u>136,631</u>
OPERATING INCOME	<u>54,687</u>	<u>29,248</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	7,491	4,295
Interest expense, less capitalized interest of \$765 and \$155, respectively	(15,368)	(16,353)
Loss on disposition of capital assets	(2,922)	(3,097)
Other income	2,883	2,734
Other expense	(2,721)	(2,969)
	<u>(10,637)</u>	<u>(15,390)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>44,050</u>	<u>13,858</u>
CAPITAL CONTRIBUTIONS:		
Contributions in aid of construction	11,245	14,072
System development charges	20,851	26,119
	<u>32,096</u>	<u>40,191</u>
INCREASE IN NET ASSETS	76,146	54,049
NET ASSETS:		
Beginning of year	<u>1,293,505</u>	<u>1,239,456</u>
End of year	<u><u>\$1,369,651</u></u>	<u><u>\$1,293,505</u></u>

The accompanying notes are an integral  
part of these financial statements.

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$187,480	\$157,936
Payments to employees	(78,035)	(75,360)
Payments to suppliers	(30,141)	(30,770)
Other receipts	3,177	2,715
Other payments	(2,295)	(3,148)
	<u>80,186</u>	<u>51,373</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from contributions in aid of construction and customer advances for construction	17,279	4,202
Proceeds from system development charges	20,851	26,119
Proceeds from sales of capital assets	3,557	162
Proceeds from long-term revenue bonds, plus premium	-	30,742
Acquisition of capital assets	(91,264)	(68,376)
Principal payments for long-term bonds	(21,595)	(19,765)
Retirements of long-term bonds	(695)	(545)
Principal payments for capital lease obligations	(6,170)	(5,890)
Interest paid (includes capitalized interest of \$765 and \$155, respectively)	(17,777)	(18,285)
	<u>(95,814)</u>	<u>(51,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	327,160	383,243
Interest received from investments	7,106	4,222
Purchases of investments	(318,598)	(386,629)
	<u>15,668</u>	<u>836</u>
<b>NET INCREASE IN CASH</b>	40	573
<b>CASH, AT BEGINNING OF YEAR</b>	<u>630</u>	<u>57</u>
<b>CASH, AT END OF YEAR</b>	<u>\$ 670</u>	<u>\$ 630</u>

The accompanying notes are an integral part of these financial statements.



BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$54,687	\$29,248
Adjustments to reconcile operating income to net cash provided by operating activities-		
Other nonoperating revenues	5,083	5,084
Other nonoperating expenses	(2,398)	(3,257)
Decrease (increase) in fair value of investments	210	(9)
Depreciation and amortization of property, plant and equipment	32,656	31,232
Change in assets and liabilities-		
Accounts receivable	(13,578)	(7,943)
Materials and supplies inventory	207	(378)
Deferred charges	510	(384)
Accounts payable	2,726	(2,009)
Accrued payroll, vacation and other employee benefits	(104)	(310)
Unearned revenue	84	(10)
Waste disposal closure and postclosure care	103	109
Net cash provided by operating activities	<u>\$80,186</u>	<u>\$51,373</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Assets acquired through capital contributions (see Note 1)	\$ 4,697	\$12,859
(Increase) decrease in fair value of investments	(210)	9
Assets acquired in construction contracts payable	5,009	329

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

NOTES TO FINANCIAL STATEMENTS - CONTENTS  
DECEMBER 31, 2006 AND 2005

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BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Water Commissioners (the "Board") was created under the Charter of the City and County of Denver, Colorado (the "City") as an independent, nonpolitical board. The Board has complete charge and control of a water works system and plant, which supplies water to customers located within the City and to entities serving other customers located in certain outlying areas in the Denver metropolitan area. Also, as a byproduct of water operations, the Board operates six hydropower plants which generate power for sale to Xcel Energy and Tri-State Generation and Transmission Association, for internal consumption and for repayment to the Department of Energy for power interference.

The Board has a five-member governing body, which is appointed by the Mayor of the City for overlapping six-year terms. In accordance with Governmental Accounting Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity*, and 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the Board would be classified as 1) an "other stand-alone government" since the Board is a legally separate and distinct entity from the City under the Charter of the City, and the City is not financially accountable for the Board, and 2) a "related organization" since the Mayor of the City appoints the Board's governing body, but is not financially accountable. However, the City has elected to include the Board's financial statements in the City's financial statements as a component unit enterprise fund because, in the City's opinion, the nature and significance of the Board's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Board has no component units as defined in GASB Statements No. 14 and 39.

B. Measurement Focus and Basis of Accounting

The Board's financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

C. Accounting Standards

The Board applies all applicable pronouncements of the GASB as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Opinions of the Accounting Principles Board, and Accounting Research Bulletins of the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Board has elected not to apply FASB pronouncements issued after November 30, 1989.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash

The definition of cash for purposes of the statements of cash flows is demand deposits held by financial institutions, cash on hand, and equity in treasurer's cash which represents cash on deposit with the City Treasurer in the Water Works Fund. Treasurer's cash is available for immediate withdrawal upon request by the Board.

F. Investments

The Board's investments consist of money market investments (commercial paper and money market mutual funds) and U.S. Treasury, agency, and corporate notes and bonds. The method of valuation for all investments is fair value (see Note 2, *Investments*).

G. Materials and Supplies Inventory

Materials and supplies inventory is valued at weighted average cost, which approximates lower of cost or market.

H. Restricted Net Assets and Flow Assumption for Restricted Net Assets

Restricted net assets consists of the revenue bonds debt service reserve fund included in temporary cash investments, and the Certificates of Participation capital lease ("COPs") reserve fund included in deferred charges. The revenue bonds debt service fund is used to pay principal and interest on the revenue bonds as they become due, and the COPs reserve fund is to be used only in the event the Board fails to make any base rental payments or other required payments and fees from unrestricted assets. At the end of the lease term, the reserve fund and any related interest will be released to the Board.

I. Capital Assets

Purchased and constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value on the date received. Assets are capitalized if they have a cost of \$2,500 or more and have a useful life of more than one year.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective depreciable or amortizable asset classes as follows:

<u>Depreciation Lives by Asset Class</u>	
Buildings and improvements	10 - 80 years
Motor vehicles and motorized equipment	7 - 50 years
Furniture, machinery and equipment	5 - 20 years

Maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized and depreciated or amortized. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in nonoperating revenues (expenses).

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the related projects become operational. When projects become operational, the costs are transferred to property, plant and equipment and depreciated over the estimated useful life of the asset. In the event the projects do not become operational or the costs do not benefit future projects, all accumulated costs are expensed in the period such determination is made. If

the projects become inactive but are not abandoned, the costs are carried as deferred charges and amortized over their estimated useful lives, or until the related projects become operational or abandoned. At December 31, 2006 and 2005, inactive development costs included in deferred charges which, in the Board's opinion, will be used in connection with future construction activities, totaled \$81,000 and \$97,000, respectively, net of amortization.

Interest during the construction period is capitalized on major construction projects. Certain applicable general and administrative costs of an overhead nature are also capitalized, and such costs are depreciated over the estimated useful lives of the related assets when the related assets are transferred to capital assets.

#### J. Contributions

Contributions consist of contributions in aid of construction ("CAC") and system development charges ("SDC"). CAC represent facilities, or cash payments for facilities, received from property owners, governmental agencies and customers who receive benefit from such facilities. SDC represent fees charged to customers to connect to the water system. Contributions are recognized in the statement of revenues, expenses, and changes in fund net assets, after nonoperating revenues (expenses), when earned. Assets acquired through CAC and SDC are included in capital assets. Depreciation applicable to such assets is computed using the straight-line method over 80 and 60 years for CAC and SDC assets, respectively, and is included in operating expenses (see Note 15, *Capital Contributions*).

#### K. Employee Compensated Absences

The Board's policy is to accrue as an expense and liability employee vacation, sick leave and other compensated absences when the employee vests in such benefits.

#### L. Operating Revenues and Expenses

Operating revenues consist primarily of charges to customers for the sale of water and power. Operating expenses consist of the cost of providing water and power, including administrative expenses and depreciation on capital assets. All other revenues and expenses are classified as nonoperating.

The Board accrues for estimated unbilled revenues for water provided through the end of each year from the last reading of the meters, based on the billing cycle.

#### M. Rates and Fees

Under the City Charter, the Board is empowered to set rates for all of its customers. These rates "...may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver metropolitan area, and to provide for Denver's general welfare...."

#### Consumption and Service Charges

On September 29, 2004, the Board approved a rate increase, effective January 1, 2005, by an average of 8%.

On September 14, 2005, the Board approved a rate increase, effective January 1, 2006, by an average of 8%.

On October 11, 2006, the Board approved a rate increase, effective January 1, 2007, by an average of 7%.

#### SDC

On November 24, 2004, the Board approved an increase in SDC, effective January 31, 2005, by an average of 9%.

On February 8, 2006, the Board approved an increase in SDC, effective April 10, 2006, by an average of 8% for treated water and 19% for raw and recycled water.

On November 8, 2006, the Board approved an increase in SDC, effective January 8, 2007, by an average of 10% for treated water and 6% for raw and recycled water.

N. Recently Issued Accounting Standards

The Board implemented GASB Statement No. 47, *Accounting for Termination Benefits*, in 2006, which affects the Board's accounting for healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and related disclosures in Note 14, *Termination and Other Postemployment Benefits*.

Beginning in 2007, the Board will account for its postemployment healthcare program, described in Note 14, in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which becomes effective January 1, 2007.

O. Reclassifications

Certain reclassifications have been made to conform prior year's information to the current year presentation.

(2) DEPOSITS AND INVESTMENTS

All deposits are either insured or covered by the Public Deposit Protection Act and are therefore not exposed to custodial credit risk.

Colorado statutes and the City Charter authorize the Board to expend funds for the operation of the Board, including the purchase of investments. The Board has an investment policy that allows for the following investments:

- U.S. Government direct obligations and unconditionally guaranteed federal agency securities
- Other federal agency securities
- Commercial paper
- Investment grade corporate bonds
- Money market mutual funds

The Board's investments (current and long-term) at December 31, 2006 and 2005, and their maturities were as follows:

<u>Current and Long-Term Investments</u>					
<u>December 31, 2006</u>					
<u>(amounts expressed in thousands)</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Treasuries	\$ 62,840	\$ 49,109	\$ 13,731	\$ -	\$ -
U.S. agencies	44,290	35,749	8,541	-	-
Commercial paper	33,855	33,855	-	-	-
Repurchase agreement	5,515	5,515	-	-	-
Corporate obligations	4,930	2,537	2,393	-	-
Total securities	151,430	126,765	24,665	-	-
Money market funds (not considered securities)	1,888	1,888	-	-	-
Total investments	<u>\$ 153,318</u>	<u>\$ 128,653</u>	<u>\$ 24,665</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Current and Long-Term Investments</u>					
<u>December 31, 2005</u>					
<u>(amounts expressed in thousands)</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Treasuries	\$ 89,871	\$ 58,354	\$ 31,517	\$ -	\$ -
Commercial paper	37,937	37,937	-	-	-
U.S. agencies	26,074	26,074	-	-	-
Repurchase agreement	5,660	5,660	-	-	-
Total securities	159,542	128,025	31,517	-	-
Money market funds (not considered securities)	2,206	2,206	-	-	-
Total investments	<u>\$ 161,748</u>	<u>\$ 130,231</u>	<u>\$ 31,517</u>	<u>\$ -</u>	<u>\$ -</u>

Until March, 2007, the Board maintained two investment portfolios, a liquidity portfolio designed to provide funds to meet the Board's obligations when they come due and an investment portfolio designed to attain a market average rate of return over a full interest rate cycle. Under the terms of an investment policy adopted by the Board on March 14, 2007, the two portfolios will be combined into a single portfolio with guidelines that are not materially different from the aggregate of the two separate portfolios.

### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board's investment policy for the liquidity portfolio limits investments to the following maximum maturities as of December 31, 2006 and 2005.

<u>Maximum Maturities for Liquidity Portfolio</u>	
<u>Type of Investment</u>	<u>Maximum Maturity</u>
Commercial Paper	7 months
Agency Securities	12 months, unless held under a repurchase agreement
Treasury Securities	2 years, unless held under a repurchase agreement
Repurchase Agreements	7 business days

The Board's investment policy for the investment portfolio was revised in 2005. The policy as of December 31, 2006 and 2005 limits investments to the following maximum maturities.

<u>Maximum Maturities for Investment Portfolio</u>	
<u>Type of Investment</u>	<u>Maximum Maturity</u>
Treasury Securities	5 years
All Other Securities	3 years

Duration is a statistical measure of a portfolio's sensitivity to interest rate changes. The greater a portfolio's duration, the more volatile its expected change in value due to a change in the general level of interest rates. The Board's investment policy in effect as of December 31, 2006 and 2005 limits the duration of the investment portfolio to a range between 75% and 125% of the duration of the index used for performance measurement, the Merrill Lynch US Treasury 1-3 year index. As of December 31, 2006 and 2005, the investment portfolio duration was between 1.2 and 1.5 years compared to 1.7 years for the index. The combined portfolio will continue to have a maximum maturity of 5 years.

### Credit Risk

The Board limits the purchase of investments in commercial paper to those rated either A1 or better by Standard & Poor's (S&P) or P1 by Moody's Investor Services (Moody's). Corporate bonds must have an investment grade rating by either S&P or Moody's, both nationally recognized statistical rating organizations. As of December 31, 2006 and 2005, all of the Board's investments in commercial paper were rated A1 or better by Standard & Poor's or P-1 by Moody's Investors Service. As of December 31, 2006, all corporate bonds held were rated AA- or better by Standard & Poor's or Aa2 or better by Moody's Investors Service. Credit risk guidelines for the combined portfolio are not materially changed.

### Concentration of Credit Risk

The Board has placed limits on the amount that can be invested in any one issuer. For the liquidity portfolio, the limit on commercial paper is the lesser of \$10 million or 5% of the portfolio at cost at the time of purchase. Agency securities are limited to an investment of no more than \$20 million in any one agency, including securities held under repurchase agreements. There is no limit on U. S. Treasury securities. The investment portfolio has no limit for Treasury securities and may not hold more than 10% of the portfolio at cost in any one agency security. It may hold no more than 5% of the portfolio at cost per issuer for any other security. As of December 31, 2006 and 2005,



there were no investments that exceeded the limits imposed by the Board and no securities that were greater than 5% of their respective portfolio's value other than Treasuries. The combined portfolio also contains limits with respect to concentration of credit risk.

Reserve Fund Agreement

Effective April 7, 2004, the Board entered into an agreement with BNY Western Trust Company ("Trustee") and Lehman Brothers Special Financing, Inc. ("Lehman") whereby monies held by Trustee as reserve funds required by Certificates of Participation (Note 7, *Capital Lease – Certificates of Participation*) are invested in securities sold by Lehman at a guaranteed fixed interest rate of 4.127%. The agreement was entered into by the Board for purposes of managing its borrowings and related investments by increasing the predictability of its cash flow from earnings and not for purposes of speculation. The agreement is scheduled to terminate in November 2011 for the Series 1998 Certificates and in November 2016 for the Series 2001 Certificates. Scheduled reserve fund amounts to be invested under the agreement over its term are \$2,321,000 for the Series 1998 Certificates and \$3,595,000 for the Series 2001 Certificates.

(3) ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2006 and 2005, were as described below. Other Receivables include receivables for contributions in aid of construction, system development charges, nonpotable and hydrant water sales, and power sales.

<u>Accounts Receivable</u>				
<u>(amounts expressed in thousands)</u>				
	<u>December 31,</u>			
	<u>2006</u>		<u>2005</u>	
Receivables for treated water sales	\$ 16,718	89%	\$14,386	86%
Other receivables	2,088	11%	2,264	14%
	<u>\$ 18,806</u>	<u>100%</u>	<u>\$16,650</u>	<u>100%</u>
<u>Receivables from City and County of Denver (included above):</u>				
Receivables for treated water sales	<u>\$ 40</u>		<u>\$ 78</u>	

(4) CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2006 and 2005 were as follows:

<u>Capital Assets</u>				
<u>Year Ended December 31, 2006</u>				
<u>(amounts expressed in thousands)</u>				
	<u>December 31,</u> <u>2005</u>	<u>Additions</u> <u>&amp; Transfers</u>	<u>Sales &amp;</u> <u>Retirements</u>	<u>December 31,</u> <u>2006</u>
<u>Capital assets not being depreciated:</u>				
Land and land rights	\$ 78,282	\$ 15,662	\$ \$ (2,089)	\$ 91,855
Construction in progress	89,040	30,466	-	119,506
Total capital assets not being depreciated	<u>167,322</u>	<u>46,128</u>	<u>(2,089)</u>	<u>211,361</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	160,868	1,119	-	161,987
Improvements other than buildings	1,531,378	39,343	(5,957)	1,564,764
Machinery and equipment	145,517	15,868	(3,529)	157,856
Total capital assets being depreciated	<u>1,837,763</u>	<u>56,330</u>	<u>(9,486)</u>	<u>1,884,607</u>
Less accumulated depreciation:				
Buildings and improvements	(41,600)	(3,175)	-	(44,775)
Improvements other than buildings	(393,131)	(23,320)	1,098	(415,353)
Machinery and equipment	(40,870)	(8,345)	3,248	(45,967)
Total accumulated depreciation	<u>(475,601)</u>	<u>(34,840)</u>	<u>4,346</u>	<u>(506,095)</u>
Total capital assets being depreciated, net	<u>1,362,162</u>	<u>21,490</u>	<u>(5,140)</u>	<u>1,378,512</u>
Total capital assets, net	<u>\$ 1,529,484</u>	<u>\$ 67,618</u>	<u>\$ (7,229)</u>	<u>\$ 1,589,873</u>

<u>Capital Assets</u>				
<u>Year Ended December 31, 2005</u>				
<u>(amounts expressed in thousands)</u>				
	<u>December 31,</u> <u>2004</u>	<u>Additions</u> <u>&amp; Transfers</u>	<u>Sales &amp;</u> <u>Retirements</u>	<u>December 31,</u> <u>2005</u>
<u>Capital assets not being depreciated:</u>				
Land and land rights	\$ 74,607	\$ 3,675	\$ -	\$ 78,282
Construction in progress	<u>75,196</u>	<u>13,844</u>	<u>-</u>	<u>89,040</u>
Total capital assets not being depreciated	<u>149,803</u>	<u>17,519</u>	<u>-</u>	<u>167,322</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	160,302	640	(74)	160,868
Improvements other than buildings	1,480,465	55,999	(5,086)	1,531,378
Machinery and equipment	<u>141,092</u>	<u>7,719</u>	<u>(3,294)</u>	<u>145,517</u>
Total capital assets being depreciated	<u>1,781,859</u>	<u>64,358</u>	<u>(8,454)</u>	<u>1,837,763</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	(38,781)	(2,840)	21	(41,600)
Improvements other than buildings	(371,805)	(23,520)	2,194	(393,131)
Machinery and equipment	<u>(36,546)</u>	<u>(7,206)</u>	<u>2,882</u>	<u>(40,870)</u>
Total accumulated depreciation	<u>(447,132)</u>	<u>(33,566)</u>	<u>5,097</u>	<u>(475,601)</u>
Total capital assets being depreciated, net	<u>1,334,727</u>	<u>30,792</u>	<u>(3,357)</u>	<u>1,362,162</u>
Total capital assets, net	<u>\$ 1,484,530</u>	<u>\$ 48,311</u>	<u>\$ (3,357)</u>	<u>\$ 1,529,484</u>

Depreciation and amortization for the years ended December 31, 2006 and 2005 were as follows:

<u>Depreciation and Amortization</u>		
<u>(amounts expressed in thousands)</u>		
	<u>Years Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Operating expenses, water service	\$ 32,656	\$ 31,232
Nonoperating expenses	135	137
Other, as allocated	<u>2,065</u>	<u>2,213</u>
Total depreciation and amortization	34,856	33,582
Less amortization of plant-related studies included in deferred charges	<u>(16)</u>	<u>(16)</u>
Total increase in accumulated depreciation of property, plant and equipment	<u>\$ 34,840</u>	<u>\$ 33,566</u>

(5) RISK MANAGEMENT

The Board is exposed to various risks of losses including general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence), property damage, and employee life, medical, dental, and accident benefits. The Board has a risk management program that includes self-insurance for liability, employee medical, dental, and vision. The Board carries commercial property insurance for catastrophic losses, including floods, fires, earthquakes and terrorism, for scheduled major facilities including the Westside Complex, Marston Treatment Plant and Lab, Moffat Treatment Plant, Foothills Water Treatment Plant, and the Recycling Plant. It carries limited insurance for other nonscheduled miscellaneous locations. The Board also carries commercial insurance for life, accident, short and long term disability, workers' compensation, water turbines, employee dishonesty, and fiduciary exposure. Workers' compensation insurance is under a retrospectively rated policy whereby the initial premiums are adjusted based on actual experience during the period of coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Premiums on the retrospectively rated policy are accrued based on the ultimate cost of the experience to date. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2006 and 2005, claims liabilities consisting of medical and dental benefits were \$1,115,000 and \$1,347,000, respectively. Changes in the balances of these liabilities during 2006 and 2005 were as follows:

<u>Claims Liabilities</u> <u>(amounts expressed in thousands)</u>				
	<u>Beginning- of-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year-End</u>
2006	\$ 1,347	\$ 13,469	\$ (13,701)	\$ 1,115
2005	\$ 1,132	\$ 12,632	\$ (12,417)	\$ 1,347
2004	\$ 1,007	\$ 11,140	\$ (11,015)	\$ 1,132

Claims liabilities are reported in *Accrued Payroll, Vacation and other Employee Benefits* on the *statements of net assets*.

(6) BONDS PAYABLE

General Obligation Bonds Payable

General obligation bonds payable consist of water improvement and refunding bonds of the City. The Board has committed to repay the general obligation bonds and related interest from its revenues. Coupon rates for the general obligation bonds outstanding at December 31, 2006, range from 2.75% to 6.0%. The weighted average yield at issue for outstanding bonds was 4.32% and 4.25% for the years ended December 31, 2006 and 2005, respectively.

A summary of debt maturity for the general obligation bonds as of December 31, 2006, is as follows:

<u>General Obligation Bonds</u>			
<u>As of December 31, 2006</u>			
<u>(amounts expressed in thousands)</u>			
<u>Year of Maturity:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current:	\$ 22,815	\$ 4,160	\$ 26,975
Long-term:			
2008	19,095	3,028	22,123
2009	11,880	2,091	13,971
2010	3,485	1,617	5,102
2011	4,725	1,439	6,164
2012-2016	9,190	5,152	14,342
2017-2021	2,710	3,774	6,484
2022-2026	850	3,272	4,122
2027-2029	11,550	1,938	13,488
	63,485	22,311	85,796
Plus premium	284	-	284
Less deferred amount on refunding	(151)	-	(151)
 Total long-term	 63,618	 22,311	 85,929
	<u>\$ 86,433</u>	<u>\$ 26,471</u>	<u>\$ 112,904</u>

In prior years, the Board has refunded and advance refunded various general obligation issues resulting in funds placed in an escrow account to purchase treasury securities sufficient to pay all future principal and interest payments and to call the bonds on their respective call dates. These bonds are considered defeased and the liability for these bonds has been removed from the Board's *statements of net assets*. The aggregate principal amount of all bonds considered defeased at December 31, 2006 is \$19,415,000.

The Board no longer has authority to issue general obligation bonds of the City, but previously issued bonds may remain outstanding.

#### Revenue Bonds Payable

Revenue Bonds payable consists of water revenue improvement and refunding bonds of the Board. The Board has pledged to repay the bonds and related interest from its revenues, and to maintain adequate rates to ensure its ability to do so. Coupon rates for the revenue bonds outstanding at December 31, 2006, range from 2.50% to 5.50%. The weighted average yield at issue for outstanding bonds was 3.73% and 3.65% for the years ended December 31, 2006 and 2005, respectively.

A summary of debt maturity for the revenue bonds as of December 31, 2006, is as follows:

<u>Revenue Bonds</u>			
<u>As of December 31, 2006</u>			
<u>(amounts expressed in thousands)</u>			
<u>Year of Maturity:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current:	\$ 2,760	\$ 8,513	\$ 11,273
Long-term:			
2008	4,270	8,427	12,697
2009	12,345	8,233	20,578
2010	21,240	7,637	28,877
2011	5,985	6,551	12,536
2012-2016	70,710	25,355	96,065
2017-2021	37,570	11,964	49,534
2022-2025	27,960	2,336	30,296
	180,080	70,503	250,583
Plus premium	7,734	-	7,734
Less deferred amount on refunding	(1,635)	-	(1,635)
	186,179	70,503	256,682
	<u>\$ 188,939</u>	<u>\$ 79,016</u>	<u>\$ 267,955</u>

On October 1, 2006 the Board called all remaining outstanding Series 1996 general obligation bonds in the amount of \$695,000.

The Board issued the Series 2005 water revenue bonds in July, 2005 in an aggregate principal amount of \$30,000,000 at a true interest cost (TIC) at sale of 4.08%. The proceeds of these bonds were used to fund amounts advanced by the Board for acquisition, construction and installation of capital improvements in accordance with the Board's reimbursement resolution for capital improvement financing dated December 17, 2003. These proceeds were allocated to the costs related to construction of the recycled water distribution system; installation of automatic meter reading devices and large meter replacements; and improvements to Marston treatment plant, Gross reservoir dam, Eleven Mile reservoir dam and sediment traps for Cheesman reservoir.

Prior year advance refundings have resulted in a difference between the reacquisition price and the net carrying amount of the old debt ("deferred amount on refunding"). This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized using the effective interest method as a component of interest expense through 2011. At December 31, 2006, the unamortized deferred amount on refunding deducted from bonds payable is \$151,000 for general obligation bond refundings and \$1,635,000 for revenue bond refundings.

(7) CAPITAL LEASE - CERTIFICATES OF PARTICIPATION

The Board entered into a Master Lease Purchase Agreement ("MLPA") with Denver Capital Leasing Corporation ("DCLC"), a nonprofit corporation organized by the City, pursuant to which the Board leases from DCLC certain facilities. The Board constructed the facilities with proceeds from the execution and delivery of Certificates of Participation ("COPs"), evidencing assignments of proportionate interests in rights to receive certain revenue of the

Board under its MLPA with DCLC. The COPs are payable solely from the Board's lease payments under the MLPA. DCLC has no obligation to make any payment on the COPs.

COPs were executed and delivered pursuant to a Mortgage and Indenture of Trust Agreement between a bank, acting as trustee ("Trustee"), and DCLC, pursuant to which DCLC assigned all of its rights, title, and interest under the MLPA to the Trustee. The MLPA is subject to termination on an annual basis by the Board, upon which any outstanding COPs will be payable solely from funds held by the Trustee and any amounts made available by the Trustee's sublease or sale of the leased assets under the MLPA.

COPs were issued in 1987, 1991, 1998 and 2001 to finance the construction of pretreatment facilities for the Marston Treatment Plant, improvements to the Moffat Treatment Plant, and construction of the 64th Avenue Pump Station. As of December 31, 2006, only the 2001 and 1998 COPs remain outstanding. The balances of the principal component of future base rental payments are \$28,285,000 (out of \$40,580,000) and \$16,465,000 (out of \$34,885,000), respectively. The assets under the COP capital leases by major asset class, recorded in Utility Plant under Capital Lease, are as follows:

<u>Assets Under Capital Lease - Certificates of Participation</u>		
<u>As of December 31, 2006 and 2005</u>		
<u>(amounts expressed in thousands)</u>		
	December 31,	
	2006	2005
Buildings and improvements	\$30,585	\$ 30,565
Improvements other than buildings	47,999	38,586
	78,584	69,151
Less: accumulated amortization	(20,229)	(17,708)
	<u>\$58,355</u>	<u>\$ 51,443</u>

The MLPA, as amended and restated, requires a reserve fund be established from proceeds of the COPs. The reserve fund is to be used in the event the Board fails to make payment of any base rental payments or other payments and fees defined in the MLPA. At December 31, 2006 and 2005, the reserve fund was \$6,081,000 and \$6,039,000, respectively, and is recorded in deferred charges. At the end of the lease term, upon satisfactory payment of all lease payments and other fees, the reserve fund and any related interest will be released to the Board.

Minimum capital lease payments were \$7,332,000 and \$7,334,000 during 2006 and 2005, respectively. The following is a schedule by year of future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 2006:

<u>Obligation Under Capital Lease - Certificates of Participation</u>	
<u>As of December 31, 2006</u>	
<u>(amounts expressed in thousands)</u>	
<u>Year Ending December 31:</u>	
2007	\$ 7,345
2008	7,578
2009	7,599
2010	7,582
2011	13,113
2012-2016	11,052
Total minimum lease payments	54,269
Less interest	(9,833)
Present value of minimum lease payments (obligation under capital lease)	44,436
Less current portion	(5,235)
Total long-term	<u>\$ 39,201</u>

The COPs are also secured by collateral by certain assets purchased and/or constructed under the MLPA. Two locations are subject to the MLPA, the Marston Pretreatment Facility Site, consisting of three parcels of land, and the Moffat Treatment Plant Site, consisting of four parcels of land. Leased property at the two sites includes all property permanently affixed to the sites as well as those items of movable equipment, machinery and related personal property which are necessary to the performance of the functions performed at the facility at which they are located and which remain located there for 60 days or more. The Board may remodel, substitute, modify, add to or remove leased property at its expense, provided that the value of the leased property shall not be decreased as a result of such changes.

(8) CAPITAL LEASE – WOLFORD MOUNTAIN

On July 21, 1992, the Board entered into an agreement amending the lease agreement of March 3, 1987 with the Colorado River Water Conservation District ("District") whereby the District was required to construct Ritschard Dam and Wolford Mountain Reservoir ("Wolford") on Muddy Creek, a tributary of the Colorado River north of Kremmling, Colorado. In consideration of quarterly and semiannual lease payments for 27 years beginning after issuance of a notice of award for construction and payments of 40% of the annual operating costs of Wolford beginning after the end of the lease term, the District will convey to the Board at the end of the lease term ownership, use and control of 40% of the storage capacity of Wolford and 40% of the water right. The present value of the minimum lease payments at the beginning of the lease term, including a \$2.4 million nonrefundable deposit, was \$43 million, and the Board recorded an asset and obligation under capital lease of that amount in 1992. The project was completed in the fall of 1995. The assets under the Wolford capital lease by major asset class, recorded in Utility Plant under Capital Lease, are as follows:



<u>Assets Under Capital Lease - Wolford Mountain</u>		
<u>As of December 31, 2006 and 2005</u>		
<u>(amounts expressed in thousands)</u>		
	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Improvements other than buildings	\$42,981	\$ 42,981
Less: accumulated amortization	<u>(6,224)</u>	<u>(5,665)</u>
	<u>\$36,757</u>	<u>\$ 37,316</u>

Minimum capital lease payments were \$3,000,000 during both 2006 and 2005. The following is a schedule by year of future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 2006:

<u>Obligation Under Capital Lease - Wolford Mountain</u>	
<u>As of December 31, 2006</u>	
<u>(amounts expressed in thousands)</u>	
<u>Year Ending December 31:</u>	
2007	\$ 3,000
2008	3,000
2009	3,000
2010	3,000
2011	3,000
2012-2016	15,000
2017-2020	<u>10,500</u>
Total minimum lease payments	40,500
Less interest at 6.75%	<u>(14,194)</u>
Present value of minimum lease payments (obligation under capital lease)	26,306
Less current portion	<u>(1,245)</u>
Total long-term	<u>\$ 25,061</u>

(9) CUSTOMER ADVANCES FOR CONSTRUCTION

On December 16, 1997, the Board and South Adams County Water and Sanitation District ("SACWSD") entered into a Memorandum of Understanding, and on November 30, 1998, entered into a final agreement, whereby the Board would have supplied 4,000 acre-feet of treated water annually to SACWSD beginning on or before January 15, 2004, for which SACWSD paid system development charges of \$22,920,000 in December 1997. The agreement was contingent upon SACWSD's acquiring, developing, and conveying to the Board storage facilities for 8,000 acre-feet of water along the South Platte River downstream of Denver, and improvements to the Board's 56th Avenue facilities. Because development of the storage projects will take longer than anticipated, the Board and SACWSD entered into a temporary potable water lease agreement whereby the Board will provide water annually to SACWSD until the project is operational, which is estimated to be December 2009.

The Board initially recorded all payments from SACWSD in Customer Advances for Construction. Conveyances of \$13.2 million have been transferred since inception through December 31, 2006 from Customer Advances for Construction to Contributions in Aid of Construction for the storage facilities and improvements. Transfers are made as work is performed. When storage facilities for 8,000 acre-feet of water are completed and the Board begins supplying water under the agreement, the initial payment of \$22,920,000 will be transferred to System Development Charges.

(10) WASTE DISPOSAL CLOSURE AND POSTCLOSURE CARE

The Board operates a landfill at the Foothills Water Treatment Plant for disposal of aluminum sulfate solids/residuals generated as a by-product of the potable water treatment process at the Foothills and Marston Water Treatment Plants. It also operates sludge drying ponds at Ralston Reservoir for treatment of residuals generated as a by-product of the potable water treatment process at the Moffat Water Treatment Plant. Both sites have been in operation since 1995. State and federal laws and regulations require the Board to perform certain closing functions on these disposal sites when they stop accepting waste, including placing a final cover on the Foothills landfill, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure.

Although these sites are not municipal solid waste landfills, and are outside the scope of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, (“GASB No. 18”), the Board voluntarily implemented the provisions of that statement in 2000 to meet state and federal financial assurance requirements discussed below. Prior years were not restated due to the immateriality of the amounts involved.

As required by GASB No. 18, although closure and postclosure care costs will be paid only near or after the date that the disposal sites stop accepting waste, the Board reports a portion of the Foothills closure and postclosure care costs as an operating expense and liability in each year based on landfill capacity used as of each *statement of net assets* date. The Board reports the entire liability for closure and postclosure care costs for the Ralston sludge drying ponds since they are not “filled” like a landfill, but are reusable.

Approximately \$2.4 and \$2.3 million is reported as Waste Disposal Closure and Postclosure Care liability at December 31, 2006 and 2005, respectively, for the two sites as follows:

<u>Waste Disposal Closure and Postclosure Care Liability</u>			
<u>(amounts expressed in thousands)</u>			
	<u>Foothills</u>	<u>Ralston</u>	<u>Total</u>
<u>2006</u>			
Closure Costs	\$ 189	\$ 1,090	\$ 1,279
Postclosure Care Costs	324	818	1,142
	<u>\$ 513</u>	<u>\$ 1,908</u>	<u>\$ 2,421</u>
<u>2005</u>			
Closure Costs	\$ 183	\$ 1,054	\$ 1,237
Postclosure Care Costs	290	791	1,081
	<u>\$ 473</u>	<u>\$ 1,845</u>	<u>\$ 2,318</u>

These costs are based on the use of 22% and 20% of the active portion of the Foothills landfill at December 31, 2006 and 2005, respectively, and 100% of the Ralston drying beds for both years. The Board will recognize the remaining estimated cost of the Foothills postclosure care of \$1,148,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The remaining life of the Foothills landfill is estimated to be approximately 50 years for the active disposal area of 61.7 acres. In addition, there is expansion capability of 62 acres with an indefinite life. The Ralston drying beds have an indefinite life.

The Board is required by state and federal laws and regulations to establish financial assurance sufficient to ensure full payment of closure and postclosure care of its disposal sites by selecting one of a variety of financial mechanisms. The Board chose the "Local Government Financial Test" which includes profitability requirements, minimum general obligation bond ratings, unqualified audit opinions, and the implementation of GASB No. 18.

(11) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2006 and 2005 were as follows:

	<u>Long-Term Liabilities</u>				
	<u>Year Ended December 31, 2006</u>				
	<u>(amounts expressed in thousands)</u>				
	December 31, 2005 (Current and Long-Term)	2006		December 31, 2006 (Current and Long-Term)	Due Within One Year
		<u>Additions</u>	<u>Reductions</u>		
G. O. bonds payable, net	\$ 100,824	-	\$ (14,391)	\$ 86,433	\$ 22,815
Revenue bonds payable, net	198,255	-	(9,316)	188,939	2,760
Obligation under capital lease - Certificates of participation	49,367	-	(4,931)	44,436	5,235
Obligation under capital lease - Other	27,471	-	(1,165)	26,306	1,245
Customer advances for construction	34,277	16,341	(5,610)	45,008	-
Accrued sick leave	6,792	2,511	(2,272)	7,031	2,462 *
Waste disposal closure	2,318	103	-	2,421	-
	<u>419,304</u>	<u>\$ 18,955</u>	<u>\$ (37,685)</u>	<u>400,574</u>	<u>\$ 34,517</u>
Less current portion	<u>(30,074)</u>			<u>(34,517)</u>	
Total long-term liabilities	<u>\$ 389,230</u>			<u>\$ 366,057</u>	

\*Included in *accrued payroll, vacation and other employee benefits* in the *statements of net assets*.

<u>Long-Term Liabilities</u>					
<u>Year Ended December 31, 2005</u>					
<u>(amounts expressed in thousands)</u>					
	December 31,	2005		December 31,	Due Within
	2004	Additions	Reductions	2005	
	(Current and Long-Term)			(Current and Long-Term)	
G. O. bonds payable, net	\$ 118,337	-	\$ (17,513)	\$ 100,824	\$ 13,345
Revenue bonds payable, net	171,879	30,742	(4,366)	198,255	8,250
Obligation under capital lease - Certificates of participation	54,099	-	(4,732)	49,367	5,005
Obligation under capital lease - Other	28,561	-	(1,090)	27,471	1,165
Customer advances for construction	31,288	3,576	(587)	34,277	-
Accrued sick leave	6,989	2,025	(2,222)	6,792	2,309 *
Waste disposal closure	2,209	109	-	2,318	-
	<u>413,362</u>	<u>\$ 36,452</u>	<u>\$ (30,510)</u>	<u>419,304</u>	<u>\$ 30,074</u>
Less current portion	<u>(27,472)</u>			<u>(30,074)</u>	
Total long-term liabilities	<u>\$ 385,890</u>			<u>\$ 389,230</u>	

\*Included in accrued payroll, vacation and other employee benefits in the statements of net assets.

(12) PENSION PLAN

Plan Description

The Board sponsors and administers a trustee, single-employer defined benefit pension plan, (the "Plan"). The Plan provides retirement benefits with limited annual cost-of-living adjustments to retired members and, if elected by the member, to his or her surviving spouse. Members of the Plan include substantially all regular and discretionary full-time and part-time employees of the Board. It also provides retirement service in the event of disability, and a \$5,000 death benefit to retirees receiving annuity payments from the plan. Article X, Section 10.1.6 of the Charter of the City assigns the authority to establish and amend benefit provisions to the Board; however, any amendment that substantially impairs the property rights of employees will not become effective until approved by two-thirds of the employees. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to: Manager of Treasury Operations, MC 210, Denver Water, 1600 West 12th Avenue, Denver, CO 80204-3412.

Funding Policy

The Board's funding policy is established and may be amended by the Board, which acts as trustee of the Plan. The Plan's funding policy provides for periodic Board contributions of actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. These required contributions may vary and are not expressed in terms of fixed dollar amounts or as percentages of annual covered payroll. Plan members are not required to make contributions, but may elect to make voluntary after-tax contributions to the Plan for the purpose of purchasing an additional monthly benefit. The additional benefit is in the form of an immediate monthly annuity with no cost-of-living adjustment. The Board intends to continue making annual contributions to the Plan based on current annual actuarial valuations, but reserves the right to suspend, reduce or permanently discontinue all contributions at any time, pursuant to the termination provisions of the Plan.

Annual Pension Cost

The Board’s annual pension cost (“APC”) for 2006 was approximately \$8,269,000, equal to the Board’s required and actual contributions. The required contribution was determined as part of the January 1, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.5% to 11.5% per year, and (c) 4.0% per year cost-of-living adjustments. Salary increases include an inflation component of 4.0%. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The Plan’s unfunded actuarial accrued liability is being amortized in level dollar amounts on a closed basis. The remaining amortization period at January 1, 2006 was 29 years.

Trend Information

Three-year trend information for the Board’s pension cost and contributions is as follows:

<u>Annual Pension Cost and % of Required Contribution</u> <u>(amounts expressed in thousands)</u>			
<u>Year</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2004	\$9,006	100%	-
2005	\$8,739	100%	-
2006	\$8,269	100%	-

A Schedule of Funding Progress for the Plan is as follows (amounts expressed in thousands):

<u>Pension Funding Progress</u> <u>(amounts expressed in thousands)</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
1/1/04	\$191,817	\$237,094	\$45,277	80.9%	\$54,903	82.5%
1/1/05	\$205,448	\$246,023	\$40,575	83.5%	\$55,998	72.5%
1/1/06	\$228,775	\$259,565	\$30,790	88.1%	\$57,225	53.8%

(13) OTHER RETIREMENT PLANS

The Board sponsors the Denver Water Supplemental Retirement Savings Plan (“SRSP”). The SRSP is a 401(k) defined contribution plan. Article X, Section 10.1.6 of the Charter of the City assigns the authority to establish and amend benefit provisions to the Board. All regular and discretionary employees are eligible to participate in the plan. Under the terms of the plan, the Board will make a matching contribution to the SRSP’s trust fund each year in an amount equal to 100% of each participant’s elective contributions, limited to 3% of the participant’s base salary for the year. During 2006 and 2005, the Board made contributions totaling approximately \$1,480,000 and \$1,446,000, and members contributed approximately \$3,087,000 and \$3,036,000, respectively, to the SRSP.

The Board makes a deferred compensation plan available for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular and discretionary employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in the plan is voluntary, and the Board does not make any contributions.

(14) TERMINATION AND OTHER POSTEMPLOYMENT BENEFITS

Termination Benefits

In compliance with federal law, the Board provides healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). The Board pays the difference between premiums paid by COBRA participants and their actual medical cost under the Board's self-insurance program. The discounted present value of expected future benefits at December 31, 2006, was \$31,000 using a discount rate of 5%, and an expense and liability of that amount were recorded. There were 17 former employees on COBRA at year-end, and it is estimated that this benefit will be paid for an additional six months.

Other Postemployment Benefits

The Board, under authority of the City Charter, established a postemployment health care benefit in the form of a \$125 fixed monthly subsidy for medical, dental, or vision insurance coverage obtained through the Board's self-funded health plan to all employees taking early retirement. The subsidy begins with the first pension payment and continues until the retiree reaches age 65. The subsidy is not written in the retirement plan or paid out of retirement plan funds and can only be used each month to offset part or all of that month's cost of insurance coverage. The Board also subsidizes a portion of the health care costs of early retirees under its self-insurance program. Currently, 149 retirees are eligible to receive this benefit. The total cost of the program, including claims paid on behalf of retired employees and their eligible dependents amounted to \$1,717,000 and \$1,655,000 in 2006 and 2005, respectively. Effective January 1, 2007, the \$125 fixed monthly subsidy will be discontinued, however the Board will continue to subsidize between 66% and 70% of early retiree healthcare benefits. Beginning in 2007, the accounting for this program will be in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which becomes effective January 1, 2007.

(15) CAPITAL CONTRIBUTIONS

Inception-to-date and current year proceeds from contributions in aid of construction ("CAC") and system development charges ("SDC") were as follows (amounts expressed in thousands):

<u>Capital Contributions</u> <u>(amounts expressed in thousands)</u>		
	<u>CAC</u>	<u>SDC</u>
Inception through December 31, 2004	\$ 297,581	\$ 470,874
2005 Additions	<u>14,072</u>	<u>26,119</u>
Inception through December 31, 2005	311,653	496,993
2006 Additions	<u>11,245</u>	<u>20,851</u>
Inception through December 31, 2006	<u>\$ 322,898</u>	<u>\$ 517,844</u>

(16) CONTINGENCIES

In the normal course of business, there are various outstanding legal proceedings, claims, commitments, and contingent liabilities. In the opinion of management, the ultimate disposition of these matters will not have a materially adverse effect on the Board's financial condition.

(17) CONTRACT COMMITMENTS

Total contract commitments as of December 31, 2006 for construction and other purposes total \$113.7 million, including the remaining construction of the recycling plant.

The recycled water project is a water supply project that will result in the treatment and delivery of up to 18,799 acre-feet of water suitable for industrial and outside irrigation uses. The first phase of the project included a 30 million gallon per day ("mgd") treatment plant located at 56th Avenue and York Street, and distribution facilities to serve Xcel Energy and parks and schools located primarily in the north and central sections of Denver. Subsequent phases will include expansion of the treatment plant to 45 mgd and extension of the distribution facilities to Stapleton, Lowry, Rocky Mountain Arsenal, and other industrial and outside irrigation users in close proximity to the major pipelines. The total project is currently estimated to cost \$177 million, excluding indirect costs, and is scheduled for completion in 2016. The first phase, recorded in utility plant, was completed in February 2004 at a cost of \$111.5 million, including indirect costs. The cost of subsequent phases recorded in utility plant and construction in progress as of December 31, 2006 were \$42.8 million, including indirect costs.

(18) SUBSEQUENT EVENTS

The Board issued \$100 million Series 2007 Water Revenue Bonds on March 29, 2007. The proceeds of this issue are restricted to reimbursement of amounts advanced by the Board for acquisition, construction and installation of capital improvements, as well as to fund similar costs to be expended in the future.

SUPPLEMENTAL FINANCIAL INFORMATION



BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(amounts expressed in thousands)

	Depreciation Life (Years)	Cost			Accumulated Depreciation and Amortization				Cost Less Accumulated Depreciation and Amortization as of December 31, 2006	
		Balance, December 31, 2005	Additions and Transfers	Sales and Retirements	Balance, December 31, 2006	Balance, December 31, 2005	Provision	Sales, Retirements and Transfers		Balance, December 31, 2006
<b>UTILITY PLANT IN SERVICE:</b>										
Source of supply plant	10 - 80	\$ 458,168	\$ 19,991	\$ 160	\$ 477,999	\$ 123,388	\$ 5,431	\$ (61)	\$ 128,758	\$ 349,241
Pumping plant	20 - 80	70,212	926	187	70,951	15,319	1,361	(417)	16,263	54,688
Water treatment plant	20 - 80	331,481	(895)	192	330,394	58,042	6,344	(736)	63,650	266,744
Transmission and distribution plant	30 - 80	726,563	28,633	7,230	747,966	169,492	9,851	(783)	178,560	569,406
General plant and equipment	5 - 50	103,899	13,445	3,416	113,928	57,113	5,767	(3,106)	59,774	54,154
Leasehold and other improvements	5 - 30	90,522	13	-	90,535	25,748	3,606	(45)	29,309	61,226
Land held for future use		14,050	-	-	14,050	-	-	-	-	14,050
Total utility plant in service		1,794,895	62,113	11,185	1,845,823	449,102	32,360	(5,148)	476,314	1,369,509
<b>NONUTILITY PLANT IN SERVICE:</b>										
Plant	10 - 80	8,949	33	180	8,802	3,077	129	(126)	3,080	5,722
General equipment	10 - 20	69	-	-	69	49	5	-	54	15
Idle Plant	10 - 50	-	203	-	203	-	-	194	194	9
Total nonutility plant in service		9,018	236	180	9,074	3,126	134	68	3,328	5,746
<b>UTILITY PLANT UNDER CAPITAL LEASE:</b>										
Certificates of Participation	80	69,151	9,643	210	78,584	17,708	1,787	734	20,229	58,355
Wolford Mountain		42,981	-	-	42,981	5,665	559	-	6,224	36,757
Total utility plant under capital lease		112,132	9,643	210	121,565	23,373	2,346	734	26,453	95,112
<b>CONSTRUCTION IN PROGRESS</b>										
		89,040	30,466	-	119,506	-	-	-	-	119,506
Total property, plant and equipment		\$ 2,005,085	\$ 102,458	\$ 11,575	\$ 2,095,968	\$ 475,601	\$ 34,840	\$ (4,346)	\$ 506,095	\$ 1,589,873

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

GENERAL OBLIGATION AND REVENUE WATER IMPROVEMENT AND REFUNDING BONDS  
OUTSTANDING AT DECEMBER 31, 2006  
(amounts expressed in thousands)

Date of Issue	Interest Rates on Bonds Outstanding as of December 31, 2006	Amount			Bonds Which Are Callable	
		Issued	Retired	Outstanding	Callable Amount	Initial Date Callable
<b><u>General Obligation Bonds</u></b>						
Aug 1, 1997	4.80-5.50%	19,530	(16,040)	3,490	1,940	Oct 1, 2007
Sep 15, 1999	5.50-6.00%	14,530	-	14,530	11,550	Oct 1, 2013
Sep 15, 2000	4.80-5.50%	12,700	(9,455)	3,245	955	Oct 1, 2011
Aug 15, 2001A	4.00-4.70%	11,215	(3,250)	7,965	4,310	Sep 1, 2011
Aug 15, 2001B	4.00-5.00%	75,170	(27,030)	48,140	-	Not callable
Oct 1, 2002	2.75-4.50%	11,610	(2,680)	8,930	5,970	Oct 1, 2012
		<u>\$144,755</u>	<u>\$ (58,455)</u>	86,300	<u>\$ 24,725</u>	
Plus premium				284		
Less deferred amount on refunding				(151)		
Total General Obligation Bonds				<u>\$ 86,433</u>		
<b><u>Revenue Bonds</u></b>						
May 15, 2003A	2.50-5.00%	\$ 50,000	\$ (300)	\$ 49,700	\$ 48,100	Jun 1, 2013
Sep 15, 2003B	2.50-5.00%	77,155	(15,740)	61,415	37,110	Jun 1, 2013
Nov 23, 2004	3.00-5.50%	43,655	(945)	42,710	7,585	Dec 1, 2014
Jul 12, 2005	3.25-5.25%	30,000	(985)	29,015	18,355	Dec 1, 2015
Total Revenue Bonds		<u>\$200,810</u>	<u>\$ (17,970)</u>	182,840	<u>\$111,150</u>	
Plus premium				7,734		
Less deferred amount on refunding				(1,635)		
Total General Revenue Bonds				<u>\$ 188,939</u>		

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SUMMARY OF GENERAL OBLIGATION BOND DEBT SERVICE REQUIREMENTS OUTSTANDING  
AT DECEMBER 31, 2006  
YEARS 2007 TO 2029 INCLUSIVE  
(amounts expressed in thousands)

<u>Year</u>	<u>G.O. Bond Retirements (Exhibit II-C)</u>	<u>G.O. Bond Interest (Exhibit II-D)</u>	<u>Total Debt Service</u>
2007	\$ 22,815	\$ 4,160	\$ 26,975
2008	19,095	3,028	22,123
2009	11,880	2,091	13,971
2010	3,485	1,617	5,102
2011	4,725	1,439	6,164
2012	2,070	1,202	3,272
2013	1,995	1,112	3,107
2014	1,735	1,023	2,758
2015	1,850	948	2,798
2016	1,540	867	2,407
2017	670	799	1,469
2018	525	772	1,297
2019	515	751	1,266
2020	190	730	920
2021	810	722	1,532
2022	850	685	1,535
2023	-	647	647
2024	-	647	647
2025	-	647	647
2026	-	646	646
2027	-	646	646
2028	-	646	646
2029	11,550	646	12,196
	86,300	26,471	112,771
Plus premium	284	-	284
Less deferred amount on refunding	(151)	-	(151)
	<u>\$ 86,433</u>	<u>\$ 26,471</u>	<u>\$ 112,904</u>

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND RETIREMENTS FOR GENERAL OBLIGATION BONDS OUTSTANDING AT DECEMBER 31, 2006  
YEARS 2007 TO 2029 INCLUSIVE  
(amounts expressed in thousands)

<u>Year</u>	<u>Series 1997 Refunding</u>	<u>Series 1999 Refunding</u>	<u>Series 2000 Refunding</u>	<u>Series 2001A Refunding</u>	<u>Series 2001B Refunding</u>	<u>Series 2002 Refunding</u>	<u>Total</u>
2007	\$ 1,550	-	-	\$ 670	\$ 20,145	\$ 450	\$ 22,815
2008	275	-	-	700	17,655	465	19,095
2009	325	-	-	730	10,340	485	11,880
2010	405	1,820	-	760	-	500	3,485
2011	460	660	2,290	795	-	520	4,725
2012	475	-	225	830	-	540	2,070
2013	-	500	230	700	-	565	1,995
2014	-	-	245	900	-	590	1,735
2015	-	-	255	980	-	615	1,850
2016	-	-	-	900	-	640	1,540
2017	-	-	-	-	-	670	670
2018	-	-	-	-	-	525	525
2019	-	-	-	-	-	515	515
2020	-	-	-	-	-	190	190
2021	-	-	-	-	-	810	810
2022	-	-	-	-	-	850	850
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
2029	-	11,550	-	-	-	-	11,550
	<u>\$ 3,490</u>	<u>\$ 14,530</u>	<u>\$ 3,245</u>	<u>\$ 7,965</u>	<u>\$ 48,140</u>	<u>\$ 8,930</u>	<u>\$ 86,300</u>

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND INTEREST FOR GENERAL OBLIGATION BONDS OUTSTANDING AT DECEMBER 31, 2006  
YEARS 2007 TO 2029 INCLUSIVE  
(amounts expressed in thousands)

<u>Year</u>	<u>Series 1997 Refunding</u>	<u>Series 1999 Refunding</u>	<u>Series 2000 Refunding</u>	<u>Series 2001A Refunding</u>	<u>Series 2001B Refunding</u>	<u>Series 2002 Refunding</u>	<u>Total</u>
2007	\$ 183	\$ 820	\$ 173	\$ 343	\$ 2,303	\$ 338	\$ 4,160
2008	98	820	173	316	1,296	325	3,028
2009	84	820	173	288	415	311	2,091
2010	68	820	173	259	-	297	1,617
2011	48	711	173	228	-	279	1,439
2012	24	674	47	195	-	262	1,202
2013	-	674	36	159	-	243	1,112
2014	-	647	25	128	-	223	1,023
2015	-	647	13	87	-	201	948
2016	-	647	-	42	-	178	867
2017	-	647	-	-	-	152	799
2018	-	647	-	-	-	125	772
2019	-	647	-	-	-	104	751
2020	-	647	-	-	-	83	730
2021	-	647	-	-	-	75	722
2022	-	647	-	-	-	38	685
2023	-	647	-	-	-	-	647
2024	-	647	-	-	-	-	647
2025	-	647	-	-	-	-	647
2026	-	646	-	-	-	-	646
2027	-	646	-	-	-	-	646
2028	-	646	-	-	-	-	646
2029	-	646	-	-	-	-	646
	<u>\$ 505</u>	<u>\$ 15,687</u>	<u>\$ 986</u>	<u>\$ 2,045</u>	<u>\$ 4,014</u>	<u>\$ 3,234</u>	<u>\$ 26,471</u>

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SUMMARY OF REVENUE BOND DEBT SERVICE REQUIREMENTS OUTSTANDING

AT DECEMBER 31, 2006

YEARS 2007 TO 2025 INCLUSIVE

(amounts expressed in thousands)

<u>Year</u>	<u>Rev. Bond Retirements (Exhibit II-F)</u>	<u>Rev. Bond Interest (Exhibit II-G)</u>	<u>Total Debt Service</u>
2007	\$ 2,760	\$ 8,513	\$ 11,273
2008	4,270	8,427	12,697
2009	12,345	8,233	20,578
2010	21,240	7,637	28,877
2011	5,985	6,551	12,536
2012	12,410	6,257	18,667
2013	13,185	5,706	18,891
2014	14,165	5,144	19,309
2015	14,815	4,476	19,291
2016	16,135	3,772	19,907
2017	5,835	2,992	8,827
2018	6,265	2,709	8,974
2019	6,605	2,425	9,030
2020	8,775	2,122	10,897
2021	10,090	1,716	11,806
2022	10,590	1,256	11,846
2023	11,960	754	12,714
2024	990	230	1,220
2025	4,420	96	4,516
	<u>182,840</u>	<u>79,016</u>	<u>261,856</u>
Plus premium	7,734	-	7,734
Less deferred amount on refunding	<u>(1,635)</u>	<u>-</u>	<u>(1,635)</u>
	<u>\$ 188,939</u>	<u>\$ 79,016</u>	<u>\$ 267,955</u>

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND RETIREMENTS FOR REVENUE BONDS OUTSTANDING

AT DECEMBER 31, 2006

YEARS 2007 TO 2025 INCLUSIVE

(amounts expressed in thousands)

<u>Year</u>	<u>Series 2003A Improvement</u>	<u>Series 2003B Improv/Ref</u>	<u>Series 2004 Improv/Ref</u>	<u>Series 2005 Improvement</u>	<u>Total</u>
2007	\$ 100	\$ 100	\$ 1,540	\$ 1,020	\$ 2,760
2008	100	100	3,015	1,055	4,270
2009	100	7,830	3,320	1,095	12,345
2010	100	10,725	9,285	1,130	21,240
2011	200	400	4,215	1,170	5,985
2012	1,000	5,150	5,045	1,215	12,410
2013	1,145	8,025	2,755	1,260	13,185
2014	1,540	8,400	2,900	1,325	14,165
2015	1,550	8,825	3,050	1,390	14,815
2016	2,110	11,860	705	1,460	16,135
2017	3,570	-	735	1,530	5,835
2018	3,885	-	770	1,610	6,265
2019	4,110	-	805	1,690	6,605
2020	6,160	-	840	1,775	8,775
2021	7,355	-	875	1,860	10,090
2022	7,720	-	915	1,955	10,590
2023	8,955	-	950	2,055	11,960
2024	-	-	990		990
2025	-	-	-	4,420	4,420
	<u>\$ 49,700</u>	<u>\$ 61,415</u>	<u>\$ 42,710</u>	<u>\$ 29,015</u>	<u>\$ 182,840</u>

BOARD OF WATER COMMISSIONERS  
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND INTEREST FOR REVENUE BONDS OUTSTANDING  
AT DECEMBER 31, 2006  
YEARS 2007 TO 2025 INCLUSIVE  
(amounts expressed in thousands)

<u>Year</u>	<u>Series 2003A Improvement</u>	<u>Series 2003B Improv/Ref</u>	<u>Series 2004 Improv/Ref</u>	<u>Series 2005 Improvement</u>	<u>Total</u>
2007	\$ 2,258	\$ 2,931	\$ 2,122	\$ 1,202	\$ 8,513
2008	2,254	2,929	2,075	1,169	8,427
2009	2,250	2,924	1,924	1,135	8,233
2010	2,247	2,533	1,758	1,099	7,637
2011	2,245	1,996	1,248	1,062	6,551
2012	2,238	1,982	1,016	1,021	6,257
2013	2,188	1,775	764	979	5,706
2014	2,131	1,454	626	933	5,144
2015	2,077	1,034	481	884	4,476
2016	2,023	593	328	828	3,772
2017	1,939	-	299	754	2,992
2018	1,769	-	266	674	2,709
2019	1,584	-	231	610	2,425
2020	1,389	-	195	538	2,122
2021	1,097	-	157	462	1,716
2022	747	-	121	388	1,256
2023	381	-	82	291	754
2024	-	-	42	188	230
2025	-	-	-	96	96
	<u>\$ 30,817</u>	<u>\$ 20,151</u>	<u>\$ 13,735</u>	<u>\$ 14,313</u>	<u>\$ 79,016</u>



# STATISTICAL SECTION

*This part of Denver Water's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Denver Water's overall financial health.*

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*These schedules contain trend information to help the reader understand how Denver Water's financial performance and well-being have changed over time.*

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*These schedules contain information to help the reader assess Denver Water's primary revenue sources.*

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*These schedules present information to help the reader assess the affordability of Denver Water's current levels of outstanding debt and its ability to issue additional debt in the future.*

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*Sources : Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year or internal Denver Water operating groups.*

STATISTICAL SUMMARY: 1997 - 2006

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Population Served <sup>1</sup>	<b>1,124,000</b>	1,115,000	1,104,000	1,081,000	1,076,000	1,052,000	1,036,000	1,012,000	996,000	980,000
Total Treated Water Consumption in Million Gallons	<b>74,724.98</b>	68,473.70	60,578.77	65,399.47	75,221.18	81,054.72	83,585.25	75,232.01	77,475.48	75,363.33
Average Daily Consumption in Million Gallons	<b>204.73</b>	187.60	165.52	179.18	206.09	222.07	228.38	206.12	212.26	206.47
Average Daily Consumption per Capita in Gallons	<b>182</b>	168	150	166	192	211	220	204	213	211
Maximum Daily Consumption in Million Gallons	<b>425.68</b>	424.80	340.92	370.05	419.20	488.71	478.19	475.66	512.53	517.57
Maximum Hour Treated Water Use Rate in MGD <sup>2</sup>	<b>671.04</b>	725.27	567.52	775.23	788.09	716.86	751.47	676.26	763.87	712.48
Treated Water Pumped in Million Gallons	<b>44,937.60</b>	41,890.71	39,105.07	46,030.79	51,205.33	54,161.28	47,953.92	38,149.92	33,990.21	34,179.67
Raw Water Storage Capacity in Acre-Feet	<b>561,883</b>	561,883	561,883	561,883	561,883	561,883	545,476	545,476	545,476	545,476
Replacement Reservoir Storage Capacity in Acre-Feet	<b>122,432</b>	122,432	122,432	122,432	122,432	122,432	96,822	96,822	96,822	96,822
Supply from South Platte River in Acre-Feet <sup>3</sup>	<b>113,868</b>	154,750	119,978	144,982	58,856	129,926	133,912	210,777	190,948	194,478
Supply from Blue River/Roberts Tunnel System in Acre-Feet	<b>127,074</b>	94,470	75,984	164,294	56,848	102,282	102,750	54,064	48,384	92,174
Supply from Moffat System in Acre-Feet	<b>83,022</b>	63,872	59,344	84,072	33,116	71,296	59,811	57,272	54,220	77,630
Treated Water Pumping Capacity in MGD <sup>2</sup>	<b>1,096.3</b>	1,096.3	1,077.1	1,077.1	1,070.6	1,052.5	1,052.5	1,052.5	1,027.5	1,027.5
Raw Water Pumping Capacity in MGD <sup>2</sup>	<b>92.2</b>	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2
Treatment Plant Capacity in MGD <sup>2</sup>	<b>715.0</b>	715.0	715.0	715.0	645.0	645.0	645.0	645.0	645.0	645.0
Treated Water Reservoir Capacity in Million Gallons	<b>368.65</b>	368.65	376.65	376.65	406.45	378.45	378.75	378.75	371.75	400.5
Supply Mains in Miles (Mountain Collection System)	<b>77.5</b>	77.5	77.6	77.6	77.6	77.6	77.6	77.6	77.6	77.6
Supply Mains in Miles (Metropolitan Denver Area)	<b>40.7</b>	40.7	40.7	40.7	40.7	40.7	40.7	40.7	39.2	39.2
T&D Mains in Miles (Inside Denver and Total Service Contract Distributors)	<b>2,645</b>	2,631	2,608	2,574	2,552	2,508	2,474	2,449	2,416	2,486
Nonpotable T&D Mains in Miles	<b>32.6</b>	31.3	31.3	23.5	17.6	17.3	17.3	16.4	15.6	15.6
Total Active Taps-End of Year <sup>1</sup>	<b>306,901</b>	304,483	301,565	299,157	295,841	286,051	282,985	278,374	274,938	271,338
Fire Hydrants Operated & Maintained	<b>15,679</b>	15,459	14,956	14,648	14,380	14,173	13,991	13,681	13,136	13,575
Fire Hydrants Tested and Repaired	<b>30,739</b>	32,474	32,045	32,407	26,047	29,604	23,875	25,052	27,150	26,188
Breaks in Mains - Denver	<b>198</b>	242	219	231	287	261	243	195	166	251
Service Leaks	<b>1,043</b>	1,452	1,204	1,117	1,034	794	907	663	779	591
Additions to Capital Assets (thousands)	<b>\$ 102,458</b>	\$ 81,877	\$ 71,669	\$164,363	\$128,479	\$104,721	\$ 87,493	\$ 65,806	\$ 73,095	\$ 47,664
Total Long-Term Debt <sup>4</sup> (thousands)	<b>\$ 346,114</b>	\$375,917	\$372,876	\$379,478	\$300,695	\$308,879	\$289,681	\$294,757	\$299,773	\$329,466

<sup>1</sup>Population estimates based on treated water customers only. Beginning in 1996, population served and active taps exclude the City of Broomfield. Revised data through 2000 are interpolated from analysis of the 2000 Census and adjusted for tap growth.

<sup>2</sup>MGD = Million Gallons per Day.

<sup>3</sup>Supply includes effluent exchanges.

<sup>4</sup>Current and long-term portions of bonds payable and obligations under capital lease, net of discounts, premiums and deferred losses on advance refundings.

## A - FINANCIAL TRENDS INFORMATION

*These schedules contain trend information to help the reader understand how Denver Water's financial performance and well-being have changed over time.*

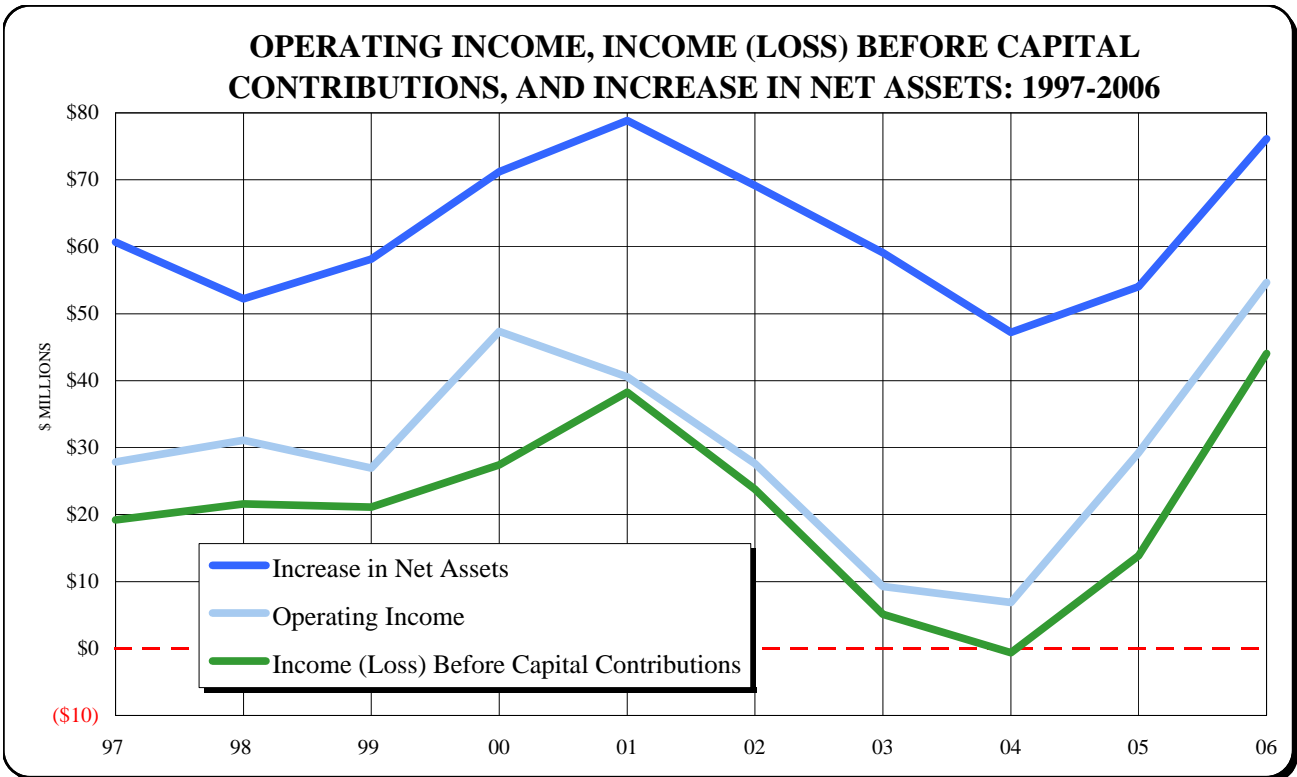
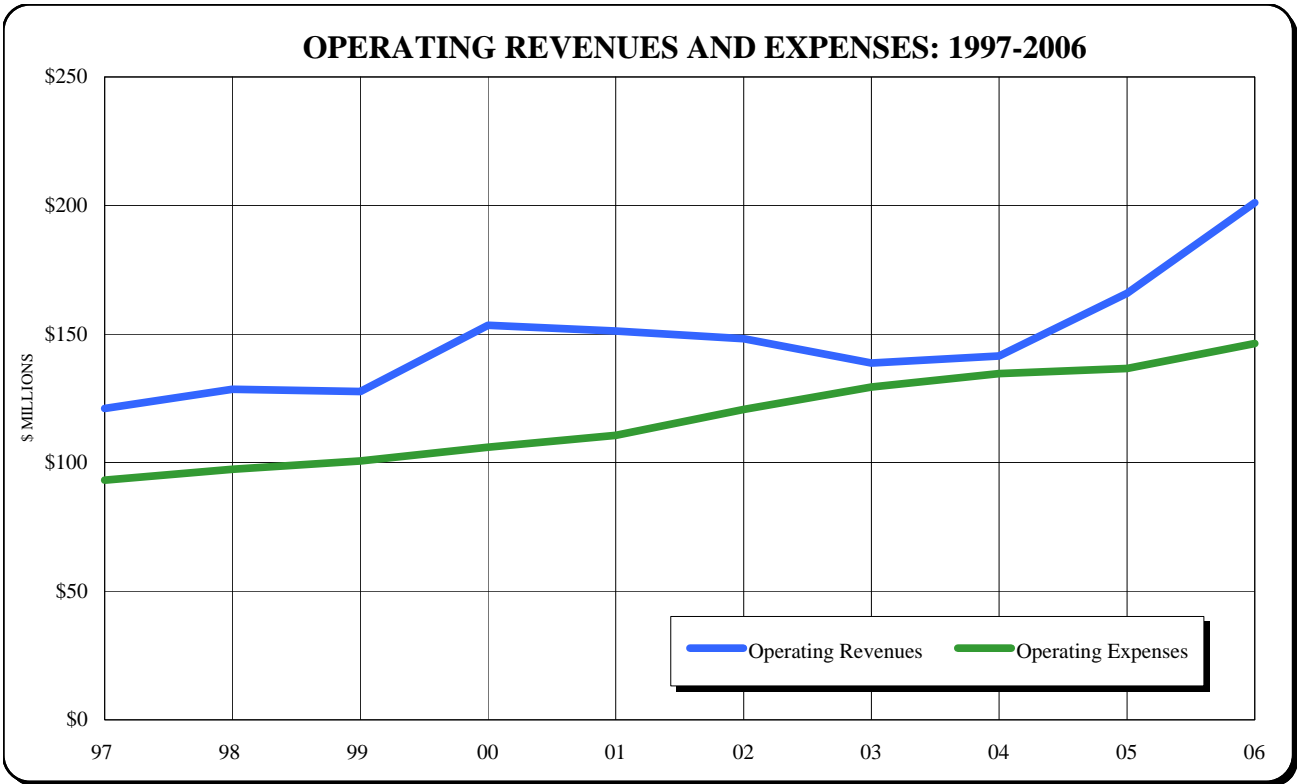
NET ASSETS BY COMPONENT: 1997 - 2006  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>NET ASSETS:</u>										
Invested in capital assets, net of related debt	\$ 1,236,642	\$ 1,151,459	\$ 1,109,875	\$ 1,060,192	\$ 1,006,694	\$ 903,483	\$ 849,997	\$ 786,277	\$ 737,906	\$ 663,709
Restricted for debt service reserve funds	7,021	7,723	7,002	9,325	6,904	6,917	5,692	5,685	41,237	28,878
Unrestricted	125,988	134,323	122,579	122,727	119,522	153,581	129,443	121,966	76,610	110,929
Total net assets	<u>\$ 1,369,651</u>	<u>\$ 1,293,505</u>	<u>\$ 1,239,456</u>	<u>\$ 1,192,244</u>	<u>\$ 1,133,120</u>	<u>\$ 1,063,981</u>	<u>\$ 985,132</u>	<u>\$ 913,928</u>	<u>\$ 855,753</u>	<u>\$ 803,516</u>

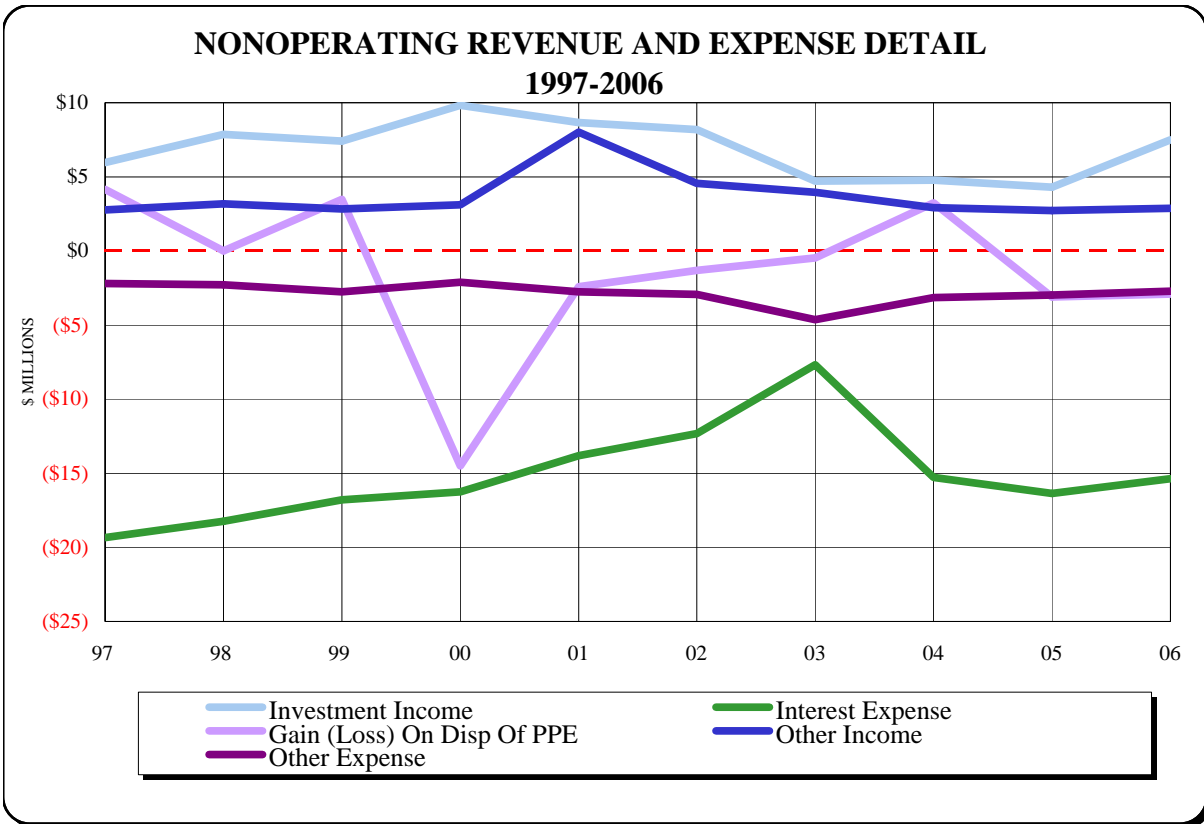
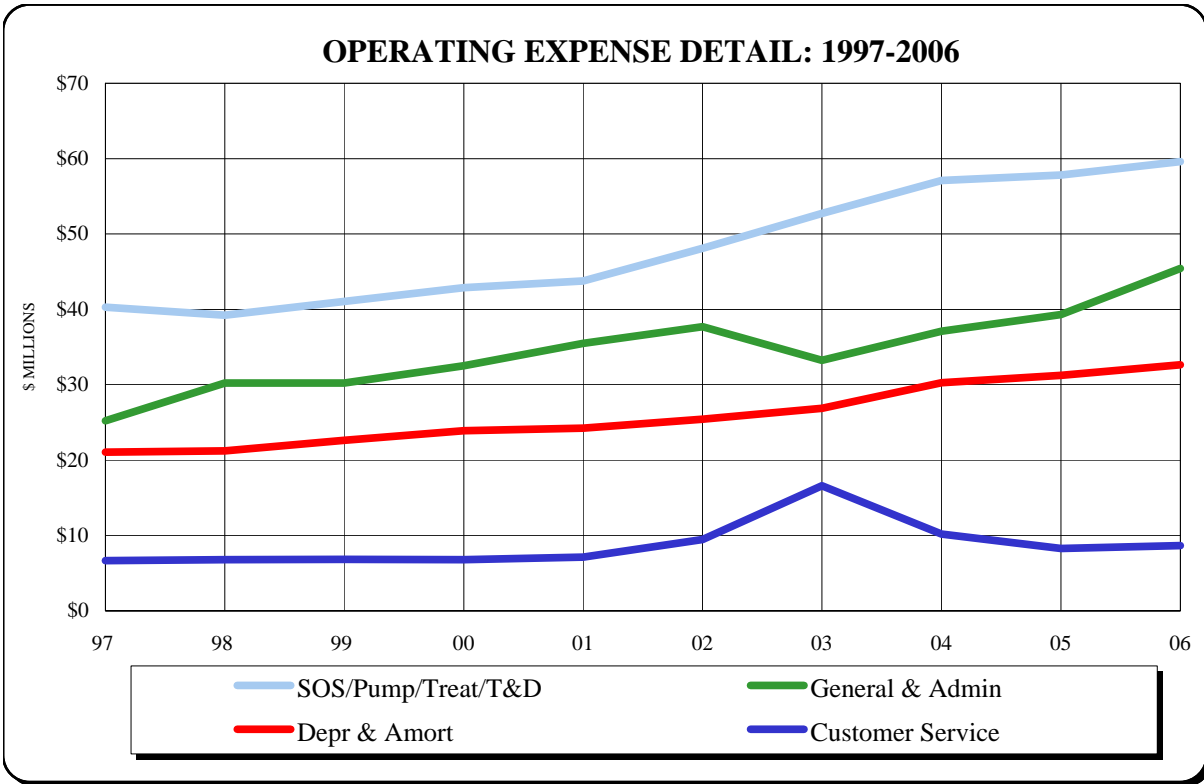
Note: Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when constraints placed on net asset use are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS: 1997 - 2006  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>OPERATING REVENUES:</b>										
Water	\$ 193,743	\$ 158,454	\$ 136,138	\$ 133,475	\$ 142,887	\$ 145,565	\$ 148,919	\$ 123,608	\$ 124,810	\$ 116,884
Power generation and other	7,315	7,425	5,370	5,234	5,375	5,633	4,510	4,047	3,760	4,190
Total operating revenues	<b>201,058</b>	165,879	141,508	138,709	148,262	151,198	153,429	127,655	128,570	121,074
<b>OPERATING EXPENSES:</b>										
Source of supply, pumping, treatment and distribution	59,607	57,797	57,091	52,735	48,089	43,756	42,857	41,060	39,233	40,266
General and administrative	45,439	39,312	37,104	33,240	37,691	35,500	32,499	30,215	30,243	25,236
Customer service	8,669	8,290	10,174	16,601	9,459	7,115	6,798	6,817	6,802	6,653
Depreciation and amortization	32,656	31,232	30,268	26,889	25,431	24,247	23,912	22,627	21,211	21,047
Total operating expenses	<b>146,371</b>	136,631	134,637	129,465	120,670	110,618	106,066	100,719	97,489	93,202
OPERATING INCOME	<b>54,687</b>	29,248	6,871	9,244	27,592	40,580	47,363	26,936	31,081	27,872
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	7,491	4,295	4,777	4,700	8,184	8,665	9,838	7,417	7,859	5,958
Interest expense, less capitalized interest	(15,368)	(16,353)	(15,283)	(7,684)	(12,315)	(13,811)	(16,249)	(16,800)	(18,241)	(19,350)
Gain (loss) on disposition of capital assets	(2,922)	(3,097)	3,237	(481)	(1,314)	(2,410)	(14,511)	3,479	13	4,158
Other income	2,883	2,734	2,927	3,949	4,565	8,003	3,117	2,841	3,184	2,762
Other expense	(2,721)	(2,969)	(3,152)	(4,641)	(2,938)	(2,770)	(2,122)	(2,756)	(2,285)	(2,202)
Total nonoperating expenses, net	<b>(10,637)</b>	(15,390)	(7,494)	(4,157)	(3,818)	(2,323)	(19,927)	(5,819)	(9,470)	(8,674)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<b>44,050</b>	13,858	(623)	5,087	23,774	38,257	27,436	21,117	21,611	19,198
<b>CAPITAL CONTRIBUTIONS:</b>										
Contributions in aid of construction	11,245	14,072	11,374	33,469	9,690	18,172	18,511	12,837	10,985	15,015
System development charges	20,851	26,119	36,461	20,568	35,675	22,420	25,257	24,221	19,641	26,485
Total capital contributions	<b>32,096</b>	40,191	47,835	54,037	45,365	40,592	43,768	37,058	30,626	41,500
INCREASE IN NET ASSETS	<b>76,146</b>	54,049	47,212	59,124	69,139	78,849	71,204	58,175	52,237	60,698
<b>NET ASSETS:</b>										
Beginning of year	<b>1,293,505</b>	1,239,456	1,192,244	1,133,120	1,063,981	985,132	913,928	855,753	803,516	742,818
End of year	<b>\$ 1,369,651</b>	\$ 1,293,505	\$ 1,239,456	\$ 1,192,244	\$ 1,133,120	\$ 1,063,981	\$ 985,132	\$ 913,928	\$ 855,753	\$ 803,516



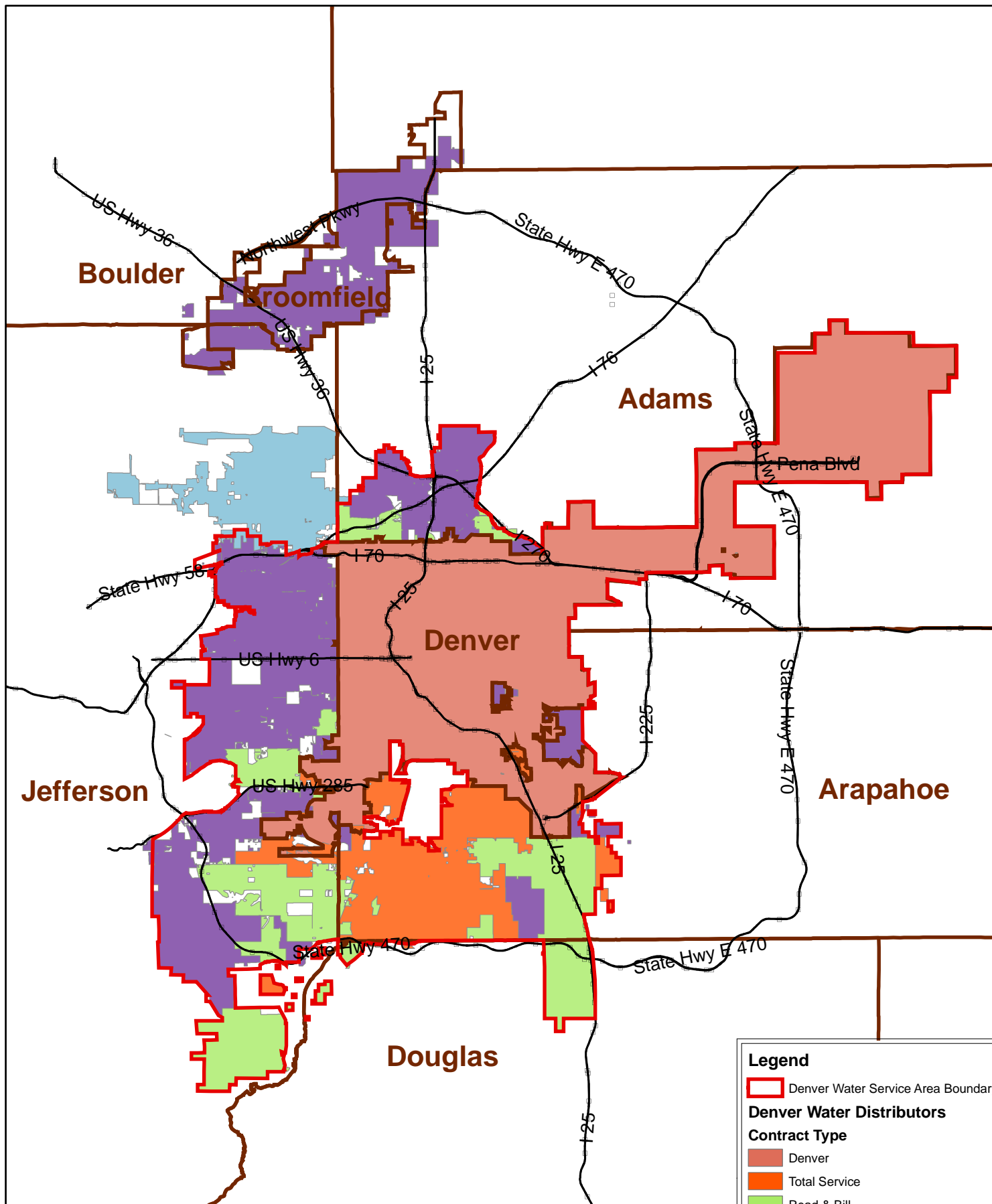




## B - REVENUE CAPACITY INFORMATION

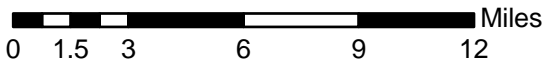
*These schedules contain information to help the reader assess  
Denver Water's primary revenue sources.*

# Denver Water Service Area



**Legend**

- Denver Water Service Area Boundary
- Denver Water Distributors**
- Contract Type**
  - Denver
  - Total Service
  - Read & Bill
  - Master Meter
  - Master Meter/Raw Water
- Metro Area County Boundaries
- Metro Area Interstate Highways



CUSTOMER SERVICE DATA: 1997 - 2006

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Active Taps<sup>1</sup></b>										
Beginning of Year	<b>304,483</b>	301,565	299,157	295,841	286,051	282,985	278,374	274,938	271,338	268,676
Activated During Year	<b>2,900</b>	3,099	2,736	3,510	10,053 <sup>4</sup>	3,273	4,871	3,732	3,919	2,825
Discontinued During Year	<b>(482)</b>	(181)	(328)	(194)	(263)	(207)	(260)	(296)	(319)	(163)
Net Increase During Year	<b>2,418</b>	2,918	2,408	3,316	9,790	3,066	4,611	3,436	3,600	2,662
Total Active Taps - End of Year	<b>306,901</b>	304,483	301,565	299,157	295,841	286,051	282,985	278,374	274,938	271,338
<b>Active Taps<sup>1</sup></b>										
Inside City	<b>157,124</b>	155,778	154,170	152,783	150,607	149,054	147,590	145,585	143,740	142,341
City and County	<b>1,222</b>	1,206	1,084	1,076	1,065	1,071	1,058	1,055	1,019	1,018
Outside City - Read and Bill	<b>36,043</b>	35,558	35,043	34,694	34,425	36,955	36,760	36,114	35,379	34,638
Outside City - Total Service	<b>35,960</b>	35,793	35,639	35,502	35,209	31,974	31,442	30,965	30,575	29,892
Outside City - Master Meter	<b>76,552</b>	76,148	75,629	75,102	74,535	66,997	66,135	64,655	64,225	63,449
Total Active Taps - End of Year	<b>306,901</b>	304,483	301,565	299,157	295,841	286,051	282,985	278,374	274,938	271,338
Stub-Ins on System <sup>2</sup>	<b>1,936</b>	1,926	2,887	3,023	2,553	2,992	2,389	3,086	3,483	1,895
Fire Hydrant Use Permits	<b>518</b>	488	472	473	830	456	680	1,132	1,185	999
AMR (Automatic Meter Reading) Installations	<b>10,594</b>	9,855	54,085	71,737	56,499	30,359	298	-	-	-
Turn-Offs Due to Delinquent Accounts	<b>12,895</b>	11,529	14,684	12,776	11,586	10,293	9,045	7,920	7,992	8,650
In-Home Water Audits	<b>56</b>	81	89	12	60	98	1,155	1,092	1,751	1,637
Call Center Calls <sup>3</sup>	<b>198,620</b>	212,114	253,716	302,488	281,339	193,395	173,016	169,399	140,284	143,955
Water Quality Calls										
Taste and Odor	<b>161</b>	87	66	90	125	78	220	148	530	91
Clarity	<b>222</b>	90	221	166	15	75	75	189	278	197
Hardness	<b>1</b>	9	1		1	-	1	69	70	68
Other	<b>88</b>	24	22	14	135	80	9	485	644	1,361
New Taps Made	<b>3,199</b>	2,991	3,537	4,178	3,572	3,869	3,834	4,498	5,838	3,273

<sup>1</sup>Service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.

<sup>2</sup>Stub-Ins are a connection made solely to extend the service line from the main to the valve at the property line prior to the paving of the street and are not considered a tap.

<sup>3</sup>Call Center Calls include calls offered, plus calls handled through the Interactive Voice Response (IVR).

<sup>4</sup>Increase of 6,820 taps for Master Meter accounts within Willows Water District in 2002.

WATER SOLD IN DOLLARS BY TYPE OF CUSTOMER: 1997 - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>SALES OF TREATED WATER</b>										
<b>A. METERED GENERAL CUSTOMERS</b>										
Residential -										
Inside City	\$ 38,199,085	\$ 32,166,524	\$ 25,519,691	\$ 24,591,998	\$ 29,478,121	\$ 29,973,238	\$ 31,206,097	\$ 25,721,031	\$ 26,217,930	\$ 24,787,546
Outside City - Read and Bill	16,932,885	13,571,874	10,090,734	10,407,775	12,489,117	13,616,982	14,392,333	11,820,501	11,810,046	11,099,563
Outside City - Total Service	21,867,605	17,501,336	13,040,907	13,466,257	15,849,049	14,562,075	14,958,586	12,293,114	12,571,560	11,737,956
Small multi-family:										
Inside City	3,286,943	2,915,980	2,437,967	2,342,691	2,683,574	2,813,072	2,853,865	2,491,267	2,514,085	2,387,118
Outside City - Read and Bill	258,146	213,955	166,063	171,801	187,282	205,431	201,771	165,608	155,309	129,066
Outside City - Total Service	501,493	384,187	297,355	287,338	285,525	307,981	309,703	260,347	236,078	183,416
Commercial -										
Inside City	27,371,040	24,639,807	20,384,807	19,467,138	21,156,722	22,104,138	21,874,352	19,357,804	19,124,697	16,938,925
Outside City - Read and Bill	7,892,400	6,414,233	5,115,882	4,718,281	5,594,571	6,897,085	6,833,019	5,935,854	5,929,378	5,221,108
Outside City - Total Service	7,908,811	6,510,148	5,147,372	5,140,036	5,394,223	4,916,979	5,023,151	4,492,691	4,513,938	4,153,338
Industrial -										
Inside City	2,639,252	2,167,674	1,450,023	1,449,698	1,619,658	1,647,207	1,780,616	1,568,428	1,542,259	1,413,410
Outside City - Read and Bill	2,155,166	1,689,261	1,648,020	1,579,615	1,500,419	1,518,244	1,528,719	1,439,154	1,447,122	1,300,964
Outside City - Total Service	169,731	168,643	124,443	115,709	140,386	201,048	227,734	192,386	193,738	184,980
	<b>129,182,556</b>	<b>108,343,622</b>	<b>85,423,264</b>	<b>83,738,341</b>	<b>96,378,647</b>	<b>98,763,480</b>	<b>101,189,946</b>	<b>85,738,185</b>	<b>86,256,140</b>	<b>79,537,390</b>
<b>B. PRIVATE FIRE PROTECTION SERVICE</b>										
Sprinklers -										
Inside City	860,403	698,448	667,781	644,949	596,359	582,947	574,872	558,584	543,765	441,340
Outside City - Read and Bill	43,798	41,960	39,001	36,611	36,580	41,162	37,805	35,301	30,752	31,386
Outside City - Total Service	58,273	55,405	50,214	49,317	38,758	30,831	29,667	28,787	26,636	28,124
	<b>962,474</b>	<b>795,813</b>	<b>756,996</b>	<b>730,877</b>	<b>671,697</b>	<b>654,940</b>	<b>642,344</b>	<b>622,672</b>	<b>601,153</b>	<b>500,850</b>
<b>C. OTHER SALES TO PUBLIC AUTHORITIES</b>										
City & County of Denver	4,125,917	2,937,308	2,253,901	2,208,368	2,820,502	3,698,215	3,770,708	2,992,239	2,918,542	3,048,469
Other County Agencies -										
Inside City	1,115,319	892,886	586,182	497,082	642,378	781,712	764,915	583,937	577,660	484,297
Outside City - Read and Bill	725,214	480,019	368,173	319,999	329,215	402,592	467,458	439,039	335,866	289,475
Outside City - Total Service	1,126,671	854,730	496,975	583,161	642,713	704,127	738,246	618,795	675,854	542,674
State Agencies -										
Inside City	497,702	414,814	344,114	351,249	347,615	298,329	476,313	295,397	287,694	246,687
Outside City - Read and Bill	26,168	21,691	5,512	5,230	6,904	8,347	7,758	8,114	6,782	6,189
Outside City - Total Service	4,449	3,598	3,094	3,039	3,649	14,026	15,730	11,724	18,061	10,473
Federal Agencies -										
Inside City	230,640	208,165	184,598	254,564	281,492	380,422	280,422	324,957	341,170	469,658
Outside City at Denver Rates	16,622	18,326	14,575	6,382	11,090	13,049	20,270	205,670	361,114	284,425
Outside City - Read and Bill	248,055	334,522	259,737	255,645	321,690	402,590	351,910	318,390	317,890	273,743
Outside City - Total Service	1,940	1,788	1,319	1,168	1,148	1,352	2,010	1,046	1,194	1,053
	<b>8,118,697</b>	<b>6,167,847</b>	<b>4,518,180</b>	<b>4,485,887</b>	<b>5,408,396</b>	<b>6,704,761</b>	<b>6,895,740</b>	<b>5,799,308</b>	<b>5,841,827</b>	<b>5,657,143</b>
<b>D. SALES OF TREATED WATER FOR RESALE</b>										
	<b>45,110,879</b>	<b>37,825,456</b>	<b>30,981,437</b>	<b>30,984,592</b>	<b>32,718,696</b>	<b>34,153,280</b>	<b>33,834,278</b>	<b>27,629,990</b>	<b>27,499,365</b>	<b>26,474,222</b>
<b>E. HYDRANT &amp; CONSTRUCTION WATER</b>										
	<b>1,583,583</b>	<b>1,478,209</b>	<b>1,257,517</b>	<b>853,249</b>	<b>878,856</b>	<b>1,247,334</b>	<b>1,034,272</b>	<b>412,724</b>	<b>293,572</b>	<b>106,621</b>
<b>TOTAL SALES OF TREATED WATER</b>										
	<b>184,958,190</b>	<b>154,610,947</b>	<b>122,937,394</b>	<b>120,792,946</b>	<b>136,056,292</b>	<b>141,523,795</b>	<b>143,596,580</b>	<b>120,202,875</b>	<b>120,492,057</b>	<b>112,276,226</b>
<b>SALES OF NON-POTABLE WATER</b>										
	<b>9,308,468</b>	<b>5,458,866</b>	<b>4,366,827</b>	<b>6,150,187</b>	<b>5,921,473</b>	<b>4,086,844</b>	<b>5,455,999</b>	<b>3,711,640</b>	<b>4,138,073</b>	<b>3,528,883</b>
<b>TOTAL SALES OF WATER</b>										
	<b>\$194,266,658</b>	<b>\$ 160,069,813</b>	<b>\$ 127,304,221</b>	<b>\$ 126,943,133</b>	<b>\$ 141,977,765</b>	<b>\$ 145,610,635</b>	<b>\$ 149,052,579</b>	<b>\$ 123,914,515</b>	<b>\$ 124,630,130</b>	<b>\$ 115,805,109</b>

<sup>1</sup>This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled metered accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses and Changes in Net Assets. The difference from amounts on an accrual basis is immaterial.

TREATED WATER SOLD IN GALLONS BY TYPE OF CUSTOMER: 1997 - 2006  
(amounts expressed in thousands of gallons)

<u>SALES OF TREATED WATER</u>		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>A. METERED GENERAL CUSTOMERS</b>											
Residential -	Inside City	<b>15,319,966</b>	13,900,011	12,142,332	12,768,789	15,773,236	16,576,648	17,809,379	15,280,539	15,674,077	15,322,525
	Outside City - Read and Bill	<b>5,278,025</b>	4,704,115	3,996,515	4,440,254	5,487,851	6,158,545	6,679,103	5,749,381	5,860,691	5,630,157
	Outside City - Total Service	<b>5,673,116</b>	4,990,298	4,269,146	4,696,076	5,650,228	5,329,661	5,646,381	4,872,749	4,970,225	4,720,130
Small multi-family-	Inside City	<b>1,625,016</b>	1,505,370	1,389,009	1,468,994	1,746,857	1,868,579	1,975,651	1,779,860	1,786,625	1,757,106
	Outside City - Read and Bill	<b>102,529</b>	90,030	77,006	84,231	94,439	103,207	102,519	89,718	83,663	68,336
	Outside City - Total Service	<b>164,236</b>	141,204	121,841	121,218	124,842	136,811	138,112	121,991	109,651	84,819
Commercial -	Inside City	<b>13,453,864</b>	13,607,253	12,397,505	12,721,738	13,949,046	15,123,479	15,538,516	14,531,575	14,379,087	14,179,274
	Outside City - Read and Bill	<b>2,940,758</b>	2,681,743	2,406,636	2,454,933	2,959,557	3,763,377	3,753,750	3,273,548	3,255,526	3,132,917
	Outside City - Total Service	<b>2,729,083</b>	2,504,610	2,235,938	2,318,860	2,440,232	2,289,032	2,325,892	2,092,742	2,097,077	2,045,377
Industrial -	Inside City	<b>1,403,596</b>	1,225,477	921,583	966,217	1,114,419	1,153,680	1,308,870	1,212,054	1,180,786	1,207,824
	Outside City - Read and Bill	<b>861,583</b>	761,029	809,455	837,590	824,185	852,249	868,757	819,550	803,817	793,002
	Outside City - Total Service	<b>60,063</b>	67,231	55,164	52,650	65,470	94,898	106,984	91,261	91,245	92,037
		<b>49,611,835</b>	46,178,371	40,822,130	42,931,550	50,230,362	53,450,166	56,253,914	49,914,968	50,292,470	49,033,504
<b>B. PRIVATE FIRE PROTECTION SERVICE</b>											
<b>C. SALES TO PUBLIC AUTHORITIES</b>											
City & County of Denver		<b>2,793,826</b>	2,234,854	2,025,120	1,930,823	2,562,216	3,166,663	3,289,900	2,696,167	2,835,408	3,063,296
Other County Agencies -	Inside City	<b>535,080</b>	453,343	341,248	323,413	426,231	522,489	526,116	429,084	440,727	413,224
	Outside City - Read and Bill	<b>275,898</b>	202,617	174,332	169,059	175,282	220,074	256,872	244,537	185,692	175,589
	Outside City - Total Service	<b>386,017</b>	327,077	216,835	272,066	305,034	325,814	336,493	285,328	317,222	269,604
State Agencies -	Inside City	<b>251,300</b>	223,379	216,143	232,196	234,996	197,437	344,087	222,454	220,016	211,136
	Outside City - Read and Bill	<b>9,349</b>	8,717	2,538	2,728	3,591	4,527	4,261	4,467	3,751	3,755
	Outside City - Total Service	<b>1,468</b>	1,316	1,302	1,362	1,677	6,500	7,110	5,387	8,449	5,156
Federal Agencies -	Inside City	<b>129,602</b>	128,769	127,765	169,343	177,498	259,696	183,769	254,943	261,627	393,540
	Outside City at Denver Rates	<b>6,560</b>	8,527	8,575	11,955	6,842	9,234	14,400	165,596	277,551	242,505
	Outside City - Read and Bill	<b>94,067</b>	126,584	121,151	133,556	172,075	221,155	194,352	176,704	176,426	166,707
	Outside City - Total Service	<b>475</b>	452	489	516	517	616	933	475	528	480
		<b>4,483,642</b>	3,715,635	3,235,498	3,247,017	4,065,959	4,934,205	5,158,293	4,485,142	4,727,397	4,944,992
D. SALES OF TREATED WATER FOR RESALE		<b>18,834,323</b>	17,056,802	15,415,565	16,694,326	17,923,961	18,868,684	19,569,313	16,690,026	16,665,975	16,051,176
E. HYDRANT & CONSTRUCTION WATER		<b>199,005</b>	224,574	238,557	135,700	134,380	265,331	202,436	127,945	100,561	22,120
Temporary lease with Willows Water		-	-	-	-	-	-	-	-	142	28
<b>TOTAL SALES OF TREATED WATER</b>		<b>73,128,805</b>	67,175,382	59,711,750	63,008,593	72,354,662	77,518,386	81,183,956	71,218,081	71,786,545	70,051,820
<b>Reconciliation of Water Treated, Delivered, Consumption, Sales and Unaccounted For Water:</b>											
Total Water Treated (Production)--page III-76		74,722,230	68,500,800	60,577,670	65,382,520	75,334,070	81,093,250	83,416,510	75,326,830	77,472,160	75,336,220
(Increase) Decrease in Clear Water Storage--page III-76		2,750	(27,100)	1,100	16,950	(112,890)	(41,830)	168,740	(94,820)	(5,510)	27,110
Treated Water Delivered--pages III-21 & III-76		74,724,980	68,473,700	60,578,770	65,399,470	75,221,180	81,051,420	83,585,250	75,232,010	77,466,650	75,363,330
Water Purchased--page III-21		-	-	-	-	-	3,301	-	-	8,832	-
Treated Water Available (Consumption)--pages III-21 & III-75		74,724,980	68,473,700	60,578,770	65,399,470	75,221,180	81,054,721	83,585,250	75,232,010	77,475,482	75,363,330
Less Sales of Treated Water--page III-21		(73,128,805)	(67,175,382)	(59,711,750)	(63,008,593)	(72,354,662)	(77,518,386)	(81,183,956)	(71,218,081)	(71,786,545)	(70,051,820)
Less Load Shifted Water--page III-21		-	-	-	(635,451)	(260,567)	-	-	-	-	-
Unaccounted For Treated Water--page III-21		1,596,175	1,298,318	867,020	1,755,426	2,605,951	3,536,335	2,401,294	4,013,929	5,688,937	5,311,510
% Unaccounted For--page III-21		2.14%	1.90%	1.43%	2.68%	3.46%	4.36%	2.87%	5.34%	7.34%	7.05%

OPERATING REVENUE AND RELATED WATER CONSUMPTION - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

(Page 1 of 2)

		<u>Revenue</u>	<u>Consumption (000 Gallons)</u>	<u>Average Number of Customers</u>	<u>Revenue Per 1,000 Gallons</u>
<b>I. SALES OF TREATED WATER</b>					
<b>A. METERED GENERAL CUSTOMERS</b>					
Residential -	Inside City	\$38,199,085	15,319,966	128,097	\$ 2.4934
	Outside City - Read and Bill	16,932,885	5,278,025	32,500	3.2082
	Outside City - Total Service	21,867,605	5,673,116	31,883	3.8546
Small multi-family-	Inside City	3,286,943	1,625,016	8,963	2.0227
	Outside City - Read and Bill	258,146	102,529	412	2.5178
	Outside City - Total Service	501,493	164,236	582	3.0535
Commercial -	Inside City	27,371,040	13,453,864	15,136	2.0344
	Outside City - Read and Bill	7,892,400	2,940,758	2,592	2.6838
	Outside City - Total Service	7,908,811	2,729,083	2,942	2.8980
Industrial -	Inside City	2,639,252	1,403,596	281	1.8804
	Outside City - Read and Bill	2,155,166	861,583	7	2.5014
	Outside City - Total Service	169,731	60,063	10	2.8259
		<u>129,182,556</u>	<u>49,611,835</u>	<u>223,405</u>	<u>2.6039</u>
<b>B. PRIVATE FIRE PROTECTION SERVICE</b>					
Sprinklers -	Inside City	860,403	-	2	
	Outside City - Read and Bill	43,798	-	2	
	Outside City - Total Service	58,273	-	2	
		<u>962,474</u>	<u>-</u>	<u>2</u>	
<b>C. OTHER SALES TO PUBLIC AUTHORITIES</b>					
	City & County of Denver	4,125,917	2,793,826	1,103	1.4768
Other County Agencies -	Inside City	1,115,319	535,080	185	2.0844
	Outside City - Read and Bill	725,214	275,898	69	2.6286
	Outside City - Total Service	1,126,671	386,017	176	2.9187
State Agencies -	Inside City	497,702	251,300	61	1.9805
	Outside City - Read and Bill	26,168	9,349	4	2.7990
	Outside City - Total Service	4,449	1,468	3	3.0307
Federal Agencies -	Inside City	230,640	129,602	23	1.7796
	Outside City - Read and Bill	16,622	6,560	0	2.5338
	Outside City - Total Service	248,055	94,067	3	2.6370
	Total Service	1,940	475	2	4.0837
		<u>\$ 8,118,697</u>	<u>4,483,642</u>	<u>1,629</u>	<u>\$ 1.8107</u>

<sup>1</sup>This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets. The difference from amounts on an accrual basis is immaterial.

<sup>2</sup>Private fire protection consumption is unmetered and is considered a part of unaccounted-for treated water. See "Analysis of Sales of Treated Water between Denver and Outside City" for this estimate.

(Continued next page)

OPERATING REVENUE AND RELATED WATER CONSUMPTION - 2006  
(NON-ACCRUAL BASIS)

(Page 2 of 2)

	<u>Revenue</u>	<u>Consumption (000 Gallons)</u>	<u>Average Number of Customers</u>	<u>Revenue Per 1,000 Gallons</u>
<b>I. SALES OF TREATED WATER (Continued)</b>				
<b>D. SALES OF TREATED WATER FOR RESALE<sup>3</sup></b>				
Outside City - Master Meter	\$ 37,395,707	15,717,343	76,552	\$ 2.3793
Outside the Combined Service Area	<u>7,715,172</u>	<u>3,116,980</u>		<u>2.4752</u>
	<u>45,110,879</u>	<u>18,834,323</u>	<u>76,552</u>	<u>2.3951</u>
<b>E. HYDRANT &amp; CONSTRUCTION WATER</b>	<u>1,583,583</u>	<u>199,005</u>	<u>-</u>	<u>7.9575</u>
<b>TOTAL SALES OF TREATED WATER<sup>4</sup></b>	<u>184,958,190</u>	<u>73,128,805</u>	<u>301,586</u>	<u>2.5292</u>
<b>II. SALES OF NON-POTABLE WATER<sup>5</sup></b>				
Inside City	614,279	1,388,653	10	0.4424
Outside City	513,759	825,899	9	0.6221
Outside the Combined Service Area	<u>8,180,430</u>	<u>12,854,053</u>	<u>15</u>	<u>0.6364</u>
	<u>9,308,468</u>	<u>15,068,605</u>	<u>34</u>	<u>0.6177</u>
<b>TOTAL SALES OF WATER</b>	<u>194,266,658</u>	<u>88,197,410</u>	<u>301,620</u>	<u>\$ 2.2026</u>
<b>III. OTHER NON-POTABLE WATER DELIVERIES<sup>5</sup></b>		<u>1,345,560</u>		
<b>TOTAL CONSUMPTION</b>		<u>89,542,970</u>		
<b>IV. OTHER OPERATING REVENUE</b>				
<b>A. POWER SALES REVENUE</b>				
Foothills Treatment Plant	301,563			
Strontia Springs	327,448			
Dillon Dam	613,768			
Roberts Tunnel	479,052			
Hillcrest	391,431			
Williams Fork	<u>333,522</u>			
	<u>2,446,785</u>			
<b>B. SPECIAL ASSESSMENTS</b>				
Late Payment Penalties	2,190,653			
Conservation Penalties	33,009			
Field Collection Charges	531,179			
Turnoff - Turn on Charges	664,170			
Drought Surcharges	(3,616)			
Drought Surcharge Credits	0			
Water Storage Rental	-			
Other Assessments	<u>(134,120)</u>			
	<u>3,281,275</u>			
<b>TOTAL OTHER OPERATING REVENUE</b>	<u>5,728,060</u>			
<b>TOTAL OPERATING REVENUE</b>	<u>\$ 199,994,717</u>			

<sup>3</sup>See "Analysis of Sales of Treated Water for Resale."

<sup>4</sup>See "Analysis of Sales of Treated Water Between Denver and Outside City."

<sup>5</sup>See "Analysis of Sales of Non-Potable Water Between Denver and Outside City."



ANALYSIS OF SALES OF TREATED WATER BETWEEN DENVER AND OUTSIDE CITY - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

(Page 1 of 2)

	Revenue		Consumption		Average Number of Customers
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total	
<b>I. INSIDE CITY</b>					
<b>A. METERED GENERAL CUSTOMERS</b>					
Residential	\$ 38,199,085	20.65%	15,319,966	20.95%	128,097
Duplex	1,690,889	0.91%	822,430	1.12%	5,606
3-Plex	547,074	0.30%	271,485	0.37%	1,364
4-Plex	728,311	0.39%	368,400	0.50%	1,468
5-Plex	320,669	0.17%	162,701	0.22%	525
Commercial	27,371,040	14.80%	13,453,864	18.40%	15,136
Industrial	2,639,252	1.43%	1,403,596	1.92%	281
	<u>71,496,320</u>	<u>38.66%</u>	<u>31,802,442</u>	<u>43.49%</u>	<u>152,477</u>
<b>B. PRIVATE FIRE PROTECTION SERVICE</b>					
Sprinklers	860,403	0.47%	-	<sup>2</sup>	
<b>C. OTHER SALES TO PUBLIC AUTHORITIES</b>					
City And County of Denver	4,125,917	1.90%	2,793,826	3.82%	1,103
Other County Agencies	1,115,319	0.58%	535,080	0.73%	185
State Agencies	497,702	0.27%	251,300	0.34%	61
Federal Agencies	230,640	0.13%	129,602	0.18%	23
	<u>5,969,578</u>	<u>3.23%</u>	<u>3,709,808</u>	<u>5.07%</u>	<u>1,372</u>
<b>TOTAL SALES OF TREATED WATER - DENVER</b>	<u>78,326,300</u>	<u>42.35%</u>	<u>35,512,250</u>	<u>48.56%</u>	<u>153,849</u>
Revenue per 1,000 Gallons - Denver			\$2.2056		
<b>II. OUTSIDE CITY</b>					
<b>A. METERED GENERAL CUSTOMERS</b>					
Residential - Read and Bill	16,932,885	9.15%	5,278,025	7.22%	32,500
Duplex - Read & Bill	62,178	0.03%	24,680	0.03%	130
3-Plex - Read & Bill	49,207	0.03%	18,718	0.03%	86
4-Plex - Read & Bill	133,968	0.07%	54,057	0.07%	179
5-Plex - Read & Bill	12,793	0.01%	5,074	0.01%	17
Commercial - Read and Bill	7,892,400	4.27%	2,940,758	4.02%	2,592
Industrial - Read and Bill	2,155,166	1.17%	861,583	1.18%	7
Residential - Total Service	21,867,605	11.82%	5,673,116	7.76%	31,883
Duplex - Total Service	161,040	0.09%	52,289	0.07%	248
3-Plex - Total Service	80,327	0.04%	26,527	0.04%	99
4-Plex - Total Service	212,078	0.11%	69,406	0.09%	187
5-Plex - Total Service	48,047	0.03%	16,014	0.02%	48
Commercial - Total Service	7,908,811	4.28%	2,729,083	3.73%	2,942
Industrial - Total Service	169,731	0.09%	60,063	0.08%	10
	<u>\$ 57,686,237</u>	<u>31.19%</u>	<u>17,809,393</u>	<u>24.35%</u>	<u>70,928</u>

<sup>1</sup>This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The difference from amounts on an accrual basis is immaterial.

<sup>2</sup>Private fire protection consumption is unmetered and is considered a part of unaccounted-for treated water. See "Analysis of Sales of Treated Water between Denver and Outside City" for this estimate.

(Continued next page)

ANALYSIS OF SALES OF TREATED WATER BETWEEN DENVER AND OUTSIDE CITY - 2006  
(NON-ACCRUAL BASIS)

(Page 2 of 2)

	Revenue		Consumption		Average Number of Customers
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total	
<b>II. OUTSIDE CITY (Continued)</b>					
<b>B. PRIVATE FIRE PROTECTION SERVICE</b>					
Sprinklers	\$ 43,798	0.02%	-		<sup>2</sup>
Sprinklers - Total Service	58,274	0.03%	-		<sup>2</sup>
	102,072	0.06%	-		<sup>2</sup>
<b>C. OTHER SALES TO PUBLIC AUTHORITIES</b>					
County Agencies - Read & Bill	725,214	0.39%	275,898	0.38%	69
State Agencies - Read & Bill	26,168	0.01%	9,349	0.01%	4
Federal Agencies - Read & Bill	248,055	0.13%	94,067	0.13%	3
Federal Agencies at Denver Rates	16,622	0.01%	6,560	0.01%	0
County Agencies - Total Service	1,126,671	0.61%	386,017	0.53%	176
State Agencies - Total Service	4,449	0.00%	1,468	0.00%	3
Federal Agencies - Total Service	1,940	0.00%	475	0.00%	2
	2,149,119	1.16%	773,834	1.06%	257
<b>D. SALES OF TREATED WATER FOR RESALE<sup>3</sup></b>					
Master Meter Distributors	37,395,707	20.22%	15,717,343	21.49%	76,552
Outside CSA - Fixed Limit Contracts	7,715,172	4.17%	3,116,980	4.26%	
	45,110,879	24.39%	18,834,323	25.75%	76,552
<b>TOTAL SALES OF TREATED WATER - OUTSIDE CITY</b>					
	105,048,307	56.80%	37,417,548	51.17%	147,737
Revenue per 1,000 Gallons - Outside City			\$2.8075		
<b>III. HYDRANT &amp; CONSTRUCTION WATER</b>					
	1,583,583	0.86%	199,005	0.27%	-
<b>TOTAL SALES OF TREATED WATER</b>					
	\$184,958,190	100.00%	73,128,805	100.00%	301,586
Revenue per 1,000 Gallons - Total			\$2.5292		
<b>UNACCOUNTED FOR WATER</b>					
Total Treated Water Delivered			74,724,980		
Water Purchased			-		
Total Treated Water Available (Consumption)			74,724,980	100.00%	
Less Sales of Treated Water			(73,128,805)	(97.86)%	
Less Load Shifted Treated Water			-	-	
Unaccounted for <sup>3</sup>			1,596,175	2.14%	

<sup>2</sup>Private fire protection consumption is unmetered and is considered a part of unaccounted-for treated water. See "Analysis of Sales of Treated Water between Denver and Outside City" for this estimate.

<sup>3</sup>See "Analysis of Sales of Treated Water For Resale."

ANALYSIS OF CUSTOMER ACCOUNTS FOR TREATED WATER - 2006<sup>1</sup>

		Total Accounts (Active Taps) <sup>2</sup>			Accounts with Active Billed Consumption	
		12-31-06	12-31-05	Increase (Decrease)	12-31-06	12-31-05
<b>METERED GENERAL CUSTOMERS</b>						
Residential -	Inside City	131,292	130,156	1,136	128,421	128,004
	Outside City - Read and Bill	32,858	32,453	405	32,677	32,339
	Outside City - Total Service	32,148	32,004	144	31,993	31,865
Small multi-family -	Inside City	9,172	9,061	111	9,005	8,923
	Outside City - Read and Bill	449	402	47	446	400
	Outside City - Total Service	585	584	1	583	582
Commercial -	Inside City	15,973	15,889	84	15,263	15,167
	Outside City - Read and Bill	2,646	2,613	33	2,617	2,580
	Outside City - Total Service	3,025	2,998	27	2,938	2,933
Industrial -	Inside City	310	315	(5)	283	287
	Outside City - Read and Bill	7	7	-	7	7
	Outside City - Total Service	10	10	-	10	10
<b>TOTAL METERED GENERAL CUSTOMERS</b>		<b>228,475</b>	<b>226,492</b>	<b>1,983</b>	<b>224,243</b>	<b>223,097</b>
<b>PUBLIC AUTHORITIES</b>						
City & County of Denver		1,301	1,262	36	1,131	1,099
Other County Agencies -	Inside City	192	188	4	189	184
	Outside City - Read and Bill	71	71	-	70	70
	Outside City - Total Service	185	188	(3)	175	177
State Agencies -	Inside City	63	64	(1)	62	61
	Outside City - Read and Bill	5	5	-	4	4
	Outside City - Total Service	5	7	(2)	3	3
Federal Agencies -	Inside City	43	49	(6)	24	27
	Outside City - Read and Bill	7	7	-	7	7
	Outside City - Total Service	2	2	-	2	2
<b>TOTAL PUBLIC AUTHORITIES</b>		<b>1,874</b>	<b>1,843</b>	<b>28</b>	<b>1,667</b>	<b>1,634</b>
<b>RESALE ACCOUNTS (MASTER METER)<sup>3</sup></b>		<b>76,552</b>	<b>76,148</b>	<b>404</b>	<b>76,552</b>	<b>76,148</b>
<b>TOTAL TREATED WATER CUSTOMERS</b>		<b>306,901</b>	<b>304,483</b>	<b>2,415</b>	<b>302,462</b>	<b>300,879</b>

<sup>1</sup>Represents number of metered services at year-end. For average number of customers billed during the calendar year, see "Operating Revenue and Related Water Consumption."

<sup>2</sup>Service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.

<sup>3</sup>See "Analysis of Sales of Treated Water for Resale."

ANALYSIS OF SALES OF TREATED WATER FOR RESALE - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

Treated Water Sold Outside Denver to Municipalities and Distributors through Master Meters<sup>2</sup>

	Revenue	Consumption (000 Gallons)	Estimated Number of Taps <sup>3</sup>
<u>OUTSIDE CITY - MASTER METER DISTRIBUTORS</u>			
Alameda Water & Sanitation District	\$ 231,364	95,550	373
Bancroft-Clover Water & Sanitation District	4,084,384	1,715,656	8,617
Bonvue Water & Sanitation District	33,325	13,777	166
Bow-Mar Water & Sanitation District	263,880	108,443	284
Cherry Creek Valley Water & Sanitation District	1,946,137	812,235	1,830
Cherry Creek Village Water & Sanitation District	392,605	164,359	473
Consolidated Mutual Water Company	7,194,852	3,026,337	14,810
Crestview Water & Sanitation District	1,764,218	744,626	4,535
City of Edgewater	531,214	221,969	1,486
City of Glendale	711,362	299,183	272
Green Mountain Water & Sanitation District	4,578,212	1,932,269	10,057
High View Water District	398,705	167,822	885
Ken-Caryl Water & Sanitation District	2,041,863	871,132	3,649
Lakehurst Water & Sanitation District	2,417,651	1,009,113	5,566
City of Lakewood	590,785	248,091	890
Meadowbrook Water & Sanitation District	495,331	205,888	1,226
North Pecos Water & Sanitation District	371,689	154,133	405
North Washington Street Water & Sanitation District	2,127,731	894,174	3,628
Northgate Water District	13,437	5,011	2
South Adams County Water & Sanitation District	184,803	74,944	165
Valley Water District	1,355,275	571,857	1,750
Wheat Ridge Water District	2,274,996	954,523	5,613
Willowbrook Water & Sanitation District	1,196,148	503,480	3,007
Willows Water District	2,195,742	922,771	6,863
Total Outside City - Master Meter Distributors	<u>37,395,707</u>	<u>15,717,343</u>	<u>76,552</u>
<u>OUTSIDE THE COMBINED SERVICE AREA</u>			
City of Aurora	200,745	83,258	
City and County of Broomfield	3,272,917	1,383,467	
City of Thornton	390,533	153,010	
Chatfield South Water District	18,408	6,431	
East Cherry Creek Valley Water District	1,137,376	447,228	
Inverness Water District	262,946	110,297	
South Adams County Special Contract Area	2,432,248	933,289	
Total Outside the Combined Service Area	<u>7,715,172</u>	<u>3,116,980</u>	
Total Sales of Treated Water for Resale	<u>\$45,110,879</u>	<u>18,834,323</u>	<u>76,552</u>

<sup>1</sup>This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses, and Changes in Net Assets. The difference from amounts on an accrual basis is immaterial.

<sup>2</sup>Sales on Outside City - Total Service and Outside City - Read and Bill Contracts are not included.

<sup>3</sup>Estimated number of taps served behind Master Meters is based on survey analysis.

**WATER RATE SCHEDULES - 2006**  
 (Effective for bills dated on or after Jan. 1, 2006)

	Rate Per 1,000 Gallons		
	<b>Schedule 1</b>	<b>Schedule 2</b>	<b>Schedule 3</b>
	Potable Service Inside City	Potable Service Outside City Total Service	Potable Service Outside City Read and Bill
<b>POTABLE WATER CONSUMPTION CHARGE (Bimonthly)</b>			
<u>Residential Customers - Bimonthly Usage:</u>			
First 22,000 Gallons	\$ 1.84	\$ 2.92	\$ 2.48
23,000 - 60,000 Gallons	2.21	3.50	2.98
61,000 - 80,000 gallons	2.76	4.38	3.72
Over 80,000 gallons	3.59	5.69	4.84
<u>Small Multi-Family:</u> (Duplexes through five-plexes with a single meter)			
First 30,000 gallons <sup>1</sup>	1.59	2.58	2.10
Over 30,000 gallons	1.91	3.10	2.52
<u>All Other Retail Customers:</u>			
Winter	1.64	2.41	2.23
Summer	1.97	2.89	2.68

**SERVICE CHARGES FOR ALL CUSTOMERS**

<u>Meter Size</u>	<u>Monthly</u>	<u>Bimonthly</u>
3/4 Inch	\$ 5.47	\$ 9.15
1 Inch	8.71	15.62
1 1/2 Inch	18.06	34.33
2 Inch	28.60	55.41
3 Inch	46.25	90.70
4 Inch	67.64	133.48
6 Inch	134.23	266.66
8 Inch	172.73	343.66
10 Inch	220.41	439.01
12 Inch and Above	311.26	620.72

**PRIVATE FIRE PROTECTION SERVICE CHARGES (Bimonthly)**

Fire Hydrants			
Sprinkler Systems and Standpipes:	\$ 32.73	\$ 15.03	\$ 11.25
1"			
2"	\$ 8.89	\$ 4.08	\$ 3.06
4"	14.82	6.81	5.10
6"	22.91	10.52	7.88
8"	32.73	15.03	11.25
10"	57.28	26.30	19.69
12"	81.82	37.57	28.13
16"	130.92	60.11	45.01
	327.29	150.28	112.52

Applicability:

**Schedule 1:** All licensees with metered service having the right to take and use water inside the territorial limits of the City and County of Denver.

**Schedule 2:** All licensees outside the territorial limits of the City and County of Denver who receive water service from the Board of Water Commissioners under agreements whereby the Board operates and maintains all of the systems used to supply the licensee in a manner to provide complete and total service similar to that furnished inside Denver.

**Schedule 3:** All licensees outside the territorial limits of the City and County of Denver who receive water service from the Board of Water Commissioners under agreements whereby the licensee in some manner operates and maintains portions of the system used to supply the licensee and the Board is responsible for billing each licensee on an individual basis.

<sup>1</sup>Bimonthly usage amounts increase by 12,000 gallons per additional dwelling unit up to 5 dwelling units.

**OUTSIDE CITY - MASTER METER - Schedule 4**

Potable Consumption Charge - all consumption

<u>Rate per 1,000 gallons</u>
\$ 2.36

**SERVICE CHARGES FOR ALL CUSTOMERS**

Meter Size

3/4 Inch  
 1 Inch  
 1 1/2 Inch  
 2 Inch  
 3 Inch  
 4 Inch  
 6 Inch  
 8 Inch  
 10 Inch  
 12 Inch and Above

<u>Monthly</u>	<u>Bimonthly</u>
\$ 5.47	\$ 9.15
8.71	15.62
18.06	34.33
28.60	55.41
46.25	90.70
67.64	133.48
134.23	266.66
172.73	343.66
220.41	439.01
311.26	620.72

Applicability:

**Schedule 4:** Municipalities, quasi-municipal districts and water companies outside the limits of the City and County of Denver served under agreements where the municipality, quasi-municipality and water companies operate and maintain water systems to supply individual licensees. The Board of Water Commissioners bills the Distributor for water delivered through "Master Meters." The Distributors establish the rates for its licensees.

**NON POTABLE WATER SERVICE - Schedule 5**

Recycled Consumption Charge per 1,000 gallons - all consumption

<u>Recycled Water</u>	
<u>Denver</u>	<u>Outside City</u>
\$ 0.69	\$ 0.71

**SERVICE CHARGES FOR ALL RECYCLED WATER CUSTOMERS**

Meter Size

3/4 Inch  
 1 Inch  
 1 1/2 Inch  
 2 Inch  
 3 Inch  
 4 Inch  
 6 Inch  
 8 Inch  
 10 Inch  
 12 Inch and Above

<u>Monthly</u>	<u>Bimonthly</u>
\$ 5.47	\$ 9.15
8.71	15.62
18.06	34.33
28.60	55.41
46.25	90.70
67.64	133.48
134.23	266.66
172.73	343.66
220.41	439.01
311.26	620.72

Raw Water

Raw Consumption Charge per 1,000 gallons - all consumption

Raw Consumption Charge per Acre Foot - all consumption

<u>Denver</u>	<u>Outside City</u>
\$ 0.47	\$ 0.62
153.15	202.03

Service Charge - Not applicable for raw water service

(Effective April 10, 2006)

SYSTEM DEVELOPMENT CHARGES - **Schedule 6**

<u>Single Family Residential Taps<sup>2</sup></u>	<u>Treated Water Service</u>	
	<u>Denver</u>	<u>Outside City</u>
Base charge per residence	\$ 1,850	\$ 2,600
Charge per square foot of gross lot size	\$ 0.39	\$ 0.54
<u>Multifamily Residential Taps<sup>3</sup></u>		
Base charge for duplex or first two household units (Served through a single tap)	\$ 6,725	\$ 9,400
Charge for each additional household unit above two units (Served through a single tap)	\$ 1,550	\$ 2,180

<u>All Other Taps<sup>4</sup></u> <u>Connection Size</u>	<u>Treated Water Service</u>		<u>Raw Water Service</u>	
	<u>Denver</u>	<u>Outside City</u>	<u>Denver</u>	<u>Outside City</u>
3/4"	\$ 4,975	\$ 6,975	\$ 3,425	\$ 4,800
1"	14,925	20,925	10,275	14,400
1-1/2"	29,850	41,850	27,400	38,400
2"	44,775	62,775	44,525	62,400
3"	109,450	153,450	75,350	105,600
4"	194,025	272,025	113,025	158,400
6"	333,325	467,325	232,900	326,400
8"	447,750	627,750	301,400	422,400
10"	567,150	795,150	387,025	542,400
12"	691,525	969,525	551,425	772,800

	<u>Treated Water Service</u>		<u>Raw Water Service</u>	
	<u>Denver</u>	<u>Outside City</u>	<u>Denver</u>	<u>Outside City</u>
Acre Foot Conversion (\$/AF)				
Inside Combined Service Area	\$ 10,825	\$ 15,175	\$ 7,475	\$ 10,450
Outside Combined Service Area		15,500		10,450

Applicability:

**Schedule 6:** The System Development Charge applies to any applicant for a license to take water through the Denver system or a system deriving its supply from Denver. This charge is assessed upon application for a new tap and is due and payable prior to the issuance of a license to the customer.

<sup>2</sup>Licenses for single family residential taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

<sup>3</sup>Licenses for multifamily residential taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

<sup>4</sup>Licenses for all other taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

	<u>Potable Service</u>	
OUTSIDE CITY - MASTER METER MAINTENANCE - <b>Schedule 7</b>		
Potable Consumption Charge per 1,000 gallons - all consumption	\$	3.43
SERVICE CHARGES FOR ALL RECYCELD WATER CUSTOMERS		
<u>Meter Size</u>	<u>Monthly</u>	<u>Bimonthly</u>
3/4 Inch	\$ 5.47	\$ 9.15
1 Inch	8.71	15.62
1 1/2 Inch	18.06	34.33
2 Inch	28.60	55.41
3 Inch	46.25	90.70
4 Inch	67.64	133.48
6 Inch	134.23	266.66
8 Inch	172.73	343.66
10 Inch	220.41	439.01
12 Inch and Above	311.26	620.72

Applicability:

**Schedule 7:** A variation of the standard Master Meter Contract, in which a Master Meter Distributor elects to continue customer billing and collection functions within its service area but contracts with Denver Water to operate, maintain and replace its water system. Denver Water will bill the Distributor though master meters at a special rate that reflects the cost of providing this level of service.



	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>City of Denver - Schedule 1</b>										
<u>Residential - Consumption Charge per 1,000 gallons</u>										
First 22,000 Gallons	<b>\$1.84</b>	\$1.71	\$1.63	\$1.58	\$1.53	\$1.48	\$1.43	\$1.36	\$1.36	\$1.30
Over 22,000 Gallons	-	-	-	-	-	-	-	-	1.63	1.57
22,000 - 60,000 Gallons	<b>2.21</b>	2.05	1.96	1.90	1.84	1.78	1.72	1.63	-	-
Over 60,000 Gallons	-	2.57	2.45	2.37	2.30	2.22	2.15	2.09	-	-
60,000 - 80,000 Gallons	<b>2.76</b>	-	-	-	-	-	-	-	-	-
Over 80,000 Gallons	<b>3.59</b>	-	-	-	-	-	-	-	-	-
<u>Small Multi-Family - Consumption Charge per 1,000 gallons</u> (Duplexes through five-plexes with a single meter)										
First 30,000 gallons <sup>1</sup>	<b>1.59</b>	1.52	1.44	1.39	1.34	1.31	1.26	1.21	1.21	1.16
Over 30,000 gallons	<b>1.91</b>	1.82	1.73	1.67	1.61	1.57	1.51	1.45	1.45	1.39
<u>All Other Retail - Consumption Charge per 1,000 gallons</u>										
Winter (starting 1999)	<b>1.64</b>	1.53	1.41	1.36	1.32	1.28	1.24	1.17	-	-
Summer (starting 1999)	<b>1.97</b>	1.84	1.69	1.63	1.58	1.54	1.49	1.40	-	-
All Consumption (through 1998)	-	-	-	-	-	-	-	-	1.30	1.16
<u>Meter Charge / Service Charge</u>										
Monthly 3/4" Meter Charge (starting 2005)	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge (starting 2005)	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-
Monthly Service Charge (through 2004)	-	-	3.41	3.09	3.09	3.16	3.21	3.34	3.63	3.81
Bimonthly Service Charge (through 2004)	-	-	4.91	4.43	4.43	4.50	4.52	4.69	4.98	5.18
<b>Outside City Total Service - Schedule 2</b>										
<u>Residential - Consumption Charge per 1000 gallons</u>										
First 22,000 Gallons	<b>2.92</b>	2.76	2.54	2.41	2.33	2.26	2.19	2.11	2.17	2.13
Over 22,000 Gallons	-	-	-	-	-	-	-	-	2.60	2.56
22,000 - 60,000 Gallons	<b>3.50</b>	3.31	3.05	2.89	2.80	2.71	2.63	2.54	-	-
Over 60,000 Gallons	-	4.14	3.81	3.62	3.50	3.39	3.29	3.09	-	-
60,000 - 80,000 Gallons	<b>4.38</b>	-	-	-	-	-	-	-	-	-
Over 80,000 Gallons	<b>5.69</b>	-	-	-	-	-	-	-	-	-
<u>Small Multi-Family - Consumption Charge per 1000 gallons</u> (Duplexes through five-plexes with a single meter)										
First 30,000 gallons <sup>1</sup>	<b>2.58</b>	2.25	2.14	2.14	2.06	2.01	2.01	1.90	1.90	1.90
Over 30,000 gallons	<b>3.10</b>	2.70	2.57	2.57	2.47	2.41	2.41	2.28	2.28	2.28
<u>All Other Retail - Consumption Charge per 1000 gallons</u>										
Winter (starting 1999)	<b>2.41</b>	2.14	1.98	1.96	1.89	1.88	1.88	1.88	-	-
Summer (starting 1999)	<b>2.89</b>	2.57	2.38	2.35	2.27	2.26	2.26	2.26	-	-
All Consumption (through 1998)	-	-	-	-	-	-	-	-	2.12	2.00
<u>Meter Charge / Service Charge</u>										
Monthly 3/4" Meter Charge (starting 2005)	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge (starting 2005)	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-
Monthly Service Charge (through 2004)	-	-	3.41	3.09	3.09	3.16	3.21	3.34	3.63	3.81
Bimonthly Service Charge (through 2004)	-	-	4.91	4.43	4.43	4.50	4.52	4.69	4.98	5.18

<sup>1</sup>Bimonthly usage amounts increase by 12,000 gallons per additional dwelling unit up to 5 dwelling units.

(Continued next page)

	<b>2006</b>	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Outside City Read and Bill - Schedule 3</b>										
<u>Residential - Consumption Charge per 1000 gallons</u>										
First 22,000 Gallons	<b>\$2.48</b>	\$2.28	\$2.08	\$1.97	\$1.90	\$1.82	\$1.77	\$1.69	\$1.70	\$1.66
Over 22,000 Gallons	-	-	-	-	-	-	-	-	2.04	1.99
22,000 - 60,000 Gallons	<b>2.98</b>	2.74	2.50	2.36	2.28	2.18	2.12	2.03	-	-
Over 60,000 Gallons	-	3.42	3.12	2.96	2.85	2.73	2.66	2.51	-	-
60,000 - 80,000 Gallons	<b>3.72</b>	-	-	-	-	-	-	-	-	-
Over 80,000 Gallons	<b>4.84</b>	-	-	-	-	-	-	-	-	-
<u>Small Multi-Family - Consumption Charge per 1000 gallons</u> (Duplexes through five-plexes with a single meter)										
First 30,000 gallons <sup>1</sup>	<b>2.10</b>	1.98	1.89	1.83	1.77	1.77	1.76	1.63	1.63	1.61
Over 30,000 gallons	<b>2.52</b>	2.38	2.27	2.20	2.12	2.12	2.11	1.96	1.96	1.93
<u>All Other Retail - Consumption Charge per 1000 gallons</u>										
Winter (starting 1999)	<b>2.23</b>	2.00	1.84	1.70	1.65	1.61	1.59	1.59	-	-
Summer (starting 1999)	<b>2.68</b>	2.40	2.21	2.04	1.98	1.93	1.91	1.91	-	-
All Consumption (through 1998)	-	-	-	-	-	-	-	-	1.80	1.64
<u>Meter Charge/Service Charge</u>										
Monthly 3/4" Meter Charge (starting 2005)	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge (starting 2005)	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-
Monthly Service Charge (through 2004)	-	-	3.41	3.09	3.09	3.16	3.21	3.34	3.63	3.81
Bimonthly Service Charge (through 2004)	-	-	4.91	4.43	4.43	4.50	4.52	4.69	4.98	5.18
<b>Outside City Master Meter - Schedule 4</b>										
Consumption Charge per 1000 gallons	<b>2.36</b>	2.20	2.00	1.89	1.83	1.81	1.74	1.66	1.65	1.65
<u>Meter Charge/Service Charge</u>										
Monthly 3/4" Meter Charge (starting 2005)	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge (starting 2005)	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-
<b>Non-Potable - Schedule 5</b>										
Inside City Recycled Consumption Charge per 1000 gallons (starting 2004)	<b>0.69</b>	0.69	0.63	-	-	-	-	-	-	-
Outside City Recycled Consumption Charge per 1000 gallons (starting 2004)	<b>0.71</b>	0.83	0.79	-	-	-	-	-	-	-
<u>Recycled Service Meter Charge</u>										
Monthly 3/4" Meter Charge	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-
Inside City Raw Consumption Charge per 1000 gallons	<b>0.47</b>	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
Outside City Raw Consumption Charge per 1000 gallons	<b>0.62</b>	0.58	0.53	0.49	0.49	0.49	0.49	0.49	0.49	0.49
Raw Service Meter Charge	-	-	-	-	-	-	-	-	-	-
<b>Outside City Master Meter Maintenance - Schedule 7</b>										
Consumption Charge per 1000 gallons (starting 2002)	<b>3.43</b>	3.15	2.77	2.56	2.47	-	-	-	-	-
<u>Meter Charge / Service Charge</u>										
Monthly 3/4" Meter Charge (starting 2005)	<b>5.47</b>	4.26	-	-	-	-	-	-	-	-
Bimonthly 3/4" Meter Charge (starting 2005)	<b>9.15</b>	8.51	-	-	-	-	-	-	-	-

<sup>1</sup>Bimonthly usage amounts increase by 12,000 gallons per additional dwelling unit up to 5 dwelling units.

ANALYSIS OF SALES OF NON-POTABLE WATER BETWEEN DENVER AND OUTSIDE CITY - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

	Revenue		Consumption		Number of Customers <sup>3</sup>	Revenue Per 1,000 Gallons
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total		
<b>I. DENVER</b>						
Raw Water - City & Co Denver	\$ 79,339	0.85%	330,591	2.19%	1	\$ 0.2400
Raw Water - All Other	326,899	3.51%	693,573	4.60%	5	0.4713
Effluent Water	68,144	0.73%	147,353	0.98%	-	0.4625
Recycled	133,403	1.43%	203,319	1.35%	4	0.6561
Minimum Payments <sup>2</sup>	6,494	0.07%	13,817	0.09%	-	0.4700
	<u>614,279</u>	<u>6.60%</u>	<u>1,388,653</u>	<u>9.22%</u>	<u>10</u>	<u>2.2999</u>
<b>II. OUTSIDE CITY</b>						
Raw Water	347,966	3.74%	587,913	3.90%	6	0.5919
Effluent Water	1,976	0.02%	3,187	0.02%	-	0.6200
Recycled	143,917	1.55%	202,700	1.35%	1	0.7100
Minimum Payments <sup>2</sup>	19,900	0.21%	32,099	0.21%	2	0.6200
	<u>513,759</u>	<u>5.52%</u>	<u>825,899</u>	<u>5.48%</u>	<u>9</u>	<u>2.5418</u>
<b>III. OUTSIDE COMBINED SERVICE AREA</b>						
Raw Water	2,721,718	29.24%	4,720,996	31.33%	11	0.5765
Effluent Water	21,464	0.23%	30,560	0.20%	-	0.7024
Recycled	576,765	6.20%	808,400	5.36%	1	0.7135
Raw Water for Resale	4,848,337	52.09%	7,276,989	48.29%	3	0.6663
Minimum Payments <sup>2</sup>	12,146	0.13%	17,108	0.11%	-	0.7100
	<u>8,180,430</u>	<u>87.88%</u>	<u>12,854,053</u>	<u>85.30%</u>	<u>15</u>	<u>0.6364</u>
TOTAL SALES OF NON-POTABLE WATER	<u>\$ 9,308,468</u>	<u>100.00%</u>	<u>15,068,605</u>	<u>100.00%</u>	<u>34</u>	<u>\$ 0.6177</u>
<b>IV. OTHER NON-POTABLE WATER DELIVERIES</b>						
City Ditch at Washington Park			356,537			
City of Englewood (Cabin-Meadow Exchange)			989,023			
			<u>1,345,560</u>			
TOTAL NON-POTABLE WATER DELIVERIES			<u>16,414,165</u>			

<sup>1</sup>This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled accounts. The difference from amounts on an accrual basis is immaterial.

<sup>2</sup>Effective for 1997, non-potable sales have been identified as raw, effluent, and minimum contract payments. The minimum payment category reflects contract-stipulated payments in excess of the revenue recorded for actual deliveries of non-potable water. Prior to 1997, this revenue was reported as Special Assessments-Other on the "Operating Revenue and Related Water Consumption" schedule.

<sup>3</sup>If the customer is reflected in the count of raw water customers, it is excluded from the count of effluent and minimum contract payment customers.

25 LARGEST RETAIL CUSTOMERS - WATER CONSUMPTION AND REVENUE - 2006  
(NON-ACCRUAL BASIS)<sup>1</sup>

<u>Account Type</u>	<u>Consumption (000 Gallons)</u>	<u>Water Revenue</u>
School system	531,553	\$ 1,128,331
Public utility	443,356	1,017,677
Multi-location petroleum retailer	442,605	1,105,635
Housing authority	414,114	861,097
Beverage company	164,135	301,310
Retail grocer	145,074	295,535
Medical center	136,466	284,477
Manufacturer	133,240	334,064
School system	131,835	282,307
School system	124,477	341,514
Homeowners association	121,771	259,126
Public utility	119,499	296,932
Medical center	117,219	230,075
Federal government agency	115,586	292,764
Public utility	110,987	275,402
Beverage company	110,202	203,514
Public recreation agency	107,429	309,669
Manufacturer	106,093	194,693
Manufacturer	97,434	172,948
Homeowners association	90,516	166,232
Homeowners association	74,466	139,692
Homeowners association	71,347	165,791
Hotel	69,396	130,478
Medical center	65,848	134,911
Public utility	<u>61,010</u>	<u>110,600</u>
 Total - 25 Largest Customers	 <u>4,105,658</u>	 <u>\$ 9,034,774</u>
 Total Sales of Treated Water	 <u>73,128,805</u>	 <u>\$ 184,958,190</u>
 Percent of 25 Largest Customers to Total Sales of Treated Water	 <u>5.61%</u>	 <u>4.88%</u>

<sup>1</sup>This schedule represents actual billings made for water and private fire protection service during the year. The difference from amounts on an accrual basis is immaterial. In addition to the accounts listed, Denver Water provided 2,793,826 (thousand) gallons of treated water to the City and County of Denver. Revenues from these sales were \$4,148,898. Since revenue amounts on this schedule include private fire protection service, amounts for the City and County of Denver do not agree with amounts on "Operating Revenue and Related Water Consumption," and "Analysis of Sales of Treated Water Between Denver and Outside City."

SYSTEM DEVELOPMENT CHARGES AND PARTICIPATION RECEIPTS:  
1973 - 2006

(Cash basis - net of refunds)

	System Development Charges	Participation Receipts
	<u>                    </u>	<u>                    </u>
2006	\$ 22,305,207	\$ 2,730,141
2005	26,256,752	1,849,613
2004	24,833,961	2,228,550
2003	19,614,948	2,831,285
2002	36,590,914	5,567,014
2001	22,186,342	7,026,906
2000	25,525,391	6,392,360
1999	24,223,691	11,963,951
1998	33,155,890	8,411,534
1997	45,058,104	3,732,524
1996	15,137,300	2,913,102
1995	15,527,600	3,927,400
1994	13,535,700	2,881,800
1993	12,181,800	1,343,600
1992	10,920,300	1,198,800
1991	7,530,400	2,330,700
1990	6,615,100	1,838,700
1989	6,251,400	4,965,200
1988	6,084,600	3,067,700
1987	8,544,400	4,561,300
1973-86	<u>149,473,600</u>	<u>43,647,100</u>
	<u><u>\$531,553,400</u></u>	<u><u>\$125,409,280</u></u>

## C - DEBT CAPACITY INFORMATION

*These schedules present information to help the reader assess the affordability of Denver Water's current levels of outstanding debt and its ability to issue additional debt in the future.*

## RATIOS OF TOTAL OUTSTANDING DEBT BY TYPE: 1997 - 2006

(amounts expressed in thousands, except debt per capita)

Year	Total Principal Balance Outstanding Debt by Type <sup>1</sup>					Gross Revenues <sup>2</sup>	Ratio of Total Debt to Gross Revenue <sup>1</sup>	Estimated Population Served <sup>3</sup>	Debt Per Capita <sup>1</sup>
	General Obligation Bonds	Water Revenue Bonds	Capital Leases		Total				
			Certificates of Participation	Other					
1997	243,205	-	54,025	34,465	331,695	168,479	1.97	980,000	338
1998	216,020	-	53,865	33,780	303,665	163,242	1.86	996,000	305
1999	213,795	-	51,115	33,048	297,958	173,466	1.72	1,012,000	294
2000	211,745	-	48,245	32,265	292,255	205,003	1.43	1,036,000	282
2001	208,140	-	67,885	31,429	307,454	203,298	1.51	1,052,000	292
2002	205,480	-	63,590	30,536	299,606	200,089	1.50	1,076,000	278
2003	156,345	127,155	59,160	29,581	372,241	174,727	2.13	1,081,000	344
2004	117,375	164,365	54,555	28,561	364,856	193,714	1.88	1,104,000	330
2005	100,340	191,090	49,755	27,471	368,656	200,240	1.84	1,115,000	331
2006	86,300	182,840	44,436	26,306	339,882	238,831	1.42	1,124,000	302

<sup>1</sup>Details regarding outstanding debt can be found in the notes to the financial statements. For presentation purposes, capital leases have been treated as debt.

<sup>2</sup>Gross Revenues are defined as operating revenues plus investment income plus gain on disposition of capital assets plus other income plus capital contributions minus noncash capital contributions.

<sup>3</sup>Population estimates are treated water customers only. See schedule entitled "Consumption of Treated Water."

## PLEDGED-REVENUE COVERAGE: 1997 - 2006

General Obligation Bonds, Water Revenue Bonds, and Obligations under Capital Lease<sup>1</sup>  
(amounts expressed in thousands)

Fiscal Year	Gross Revenues <sup>2</sup>	Less Operating Expenses <sup>3</sup>	Net Available Revenue	Total Debt Service <sup>1</sup>			Coverage <sup>4</sup>
				Principal	Interest	Total	
1997	168,479	72,489	95,990	25,608	18,686	44,294	2.17
1998	163,242	76,554	86,688	30,840	17,518	48,358	1.79
1999	173,466	78,817	94,649	20,237	16,433	36,670	2.58
2000	205,003	96,836	108,167	18,402	16,376	34,778	3.11
2001	203,298	89,475	113,823	15,841	15,367	31,208	3.65
2002	200,089	97,214	102,875	16,763	15,760	32,523	3.16
2003	174,727	102,288	72,439	17,345	16,333	33,678	2.15
2004	193,714	105,287	88,427	19,535	18,610	38,145	2.32
2005	200,240	109,115	91,125	25,655	18,285	43,940	2.07
2006	238,831	117,158	121,673	27,765	17,777	45,542	2.67

<sup>1</sup>Details regarding outstanding debt can be found in the notes to the financial statements. For presentation purposes, capital leases have been treated as debt. All bonded debt is secured by revenue. Debt retired with an optional call is not included in the annual principal amount.

<sup>2</sup>Gross Revenues are defined as operating revenues plus investment income plus gain on disposition of capital assets plus other income plus capital contributions minus noncash capital contributions.

<sup>3</sup>Operating Expenses are defined as operating expenses plus loss on disposition of capital assets plus other expense minus depreciation and amortization.

<sup>4</sup>All items computed as defined in bond covenants. Rate maintenance covenant is 1.10 times Net Revenue; additional bonds test is 1.2 times average annual debt service.



RATIOS OF GENERAL OBLIGATION BONDED DEBT OUTSTANDING: 1997 - 2006  
(amounts expressed in thousands, except debt per capita)

<u>Year</u>	<u>General Obligation Bonds<sup>1</sup></u>	<u>Gross Revenues<sup>2</sup></u>	<u>Ratio of General Obligation Debt to Gross Revenue</u>	<u>Estimated Population Served<sup>3</sup></u>	<u>General Obligation Debt per Capita</u>
1997	243,205	168,479	1.44	980,000	248
1998	216,020	163,242	1.32	996,000	217
1999	213,795	173,466	1.23	1,012,000	211
2000	211,745	205,003	1.03	1,036,000	204
2001	208,140	203,298	1.02	1,052,000	198
2002	205,480	200,089	1.03	1,076,000	191
2003	156,345	174,727	0.89	1,081,000	145
2004	117,375	193,714	0.61	1,104,000	106
2005	100,340	200,240	0.50	1,115,000	90
2006	86,300	182,840	0.47	1,124,000	77

<sup>1</sup>Details regarding outstanding debt can be found in the notes to the financial statements.

<sup>2</sup>Gross Revenues are defined as operating revenues plus investment income plus gain on disposition of capital assets plus other income plus capital contributions minus noncash capital contributions.

<sup>3</sup>Population estimates are treated water customers only. See schedule entitled "Consumption of Treated Water."

RATIOS OF WATER REVENUE BONDED DEBT OUTSTANDING: 2003 - 2006  
 (amounts expressed in thousands, except debt per capita)

<u>Year</u>	<u>Water Revenue Bonds<sup>1</sup></u>	<u>Gross Revenues<sup>2</sup></u>	<u>Ratio of Water Revenue Debt to Gross Revenue</u>	<u>Estimated Population Served<sup>3</sup></u>	<u>Water Revenue Debt per Capita</u>
2003	127,155	174,727	0.73	1,081,000	118
2004	164,365	193,714	0.85	1,104,000	149
2005	191,090	200,240	0.95	1,115,000	171
2006	182,840	238,831	0.77	1,124,000	163

<sup>1</sup>Details regarding outstanding debt can be found in the notes to the financial statements.

<sup>2</sup>Gross Revenues are defined as operating revenues plus investment income plus gain on disposition of capital assets plus other income plus capital contributions minus noncash capital contributions.

<sup>3</sup>Population estimates are treated water customers only. See schedule entitled "Consumption of Treated Water."

## D - DEMOGRAPHIC AND ECONOMIC INFORMATION

*These schedules offer demographic and economic indicators to help the reader understand the environment within which Denver Water's financial activities take place.*

## DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006

The following is selected information concerning the general economic and demographic conditions in the City and County of Denver (“Denver” or the “City”) and the immediate vicinity. The statistics presented below have been obtained from the sources indicated and represent the most current information available from such sources. The statistics have not been adjusted to reflect economic trends, notably inflation.

Prior to 2004, Denver was the population center for a statistical area defined by the federal Office of Management and Budget (“OMB”) as the Denver Metropolitan Statistical Area (the “Denver MSA”) and comprising the counties of Adams, Arapahoe, Broomfield (formerly the City of Broomfield), Denver, Douglas and Jefferson. In June 2003, the OMB updated its statistical area definitions based on new standards and the results of the 2000 Census. The general concept of a metropolitan statistical area is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of social and economic integration with that core. Metropolitan statistical areas comprise one or more entire counties. Following this definitional change, the City is now within the newly created Denver-Aurora Metropolitan Statistical Area (the “Denver-Aurora MSA”), comprised of the former Denver MSA and the counties of Clear Creek, Elbert, Gilpin and Park. The following provides information for the area comprising the Denver-Aurora MSA unless otherwise stated.

### Population

The following table sets forth population statistics for Denver, the Denver-Aurora MSA and the State of Colorado.

**Population**  
(Expressed in thousands) <sup>1</sup>

<u>Year</u>	<u>Denver</u>	<u>Denver-Aurora MSA</u>	<u>State of Colorado</u>
2000	554.6	2,157.8	4,301.3
2001	560.4	2,247.3	4,446.9
2002	560.9	2,288.6	4,521.9
2003	566.2	2,323.5	4,586.9
2004	568.9	2,360.7	4,653.1
2005	571.8	2,395.3	4,722.8

<sup>1</sup> Population figures for 2000 are as of April, and population figures for 2001-2005 are as of July.

Source: Colorado Department of Local Affairs, Division of Local Government, Demographic Section

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

**Age Distribution**

The following table sets forth a comparative age distribution profile for Denver, the Denver-Aurora MSA, the State and the United States as of January 1, 2006.

**Age Distribution as of January 1, 2006**  
(Columns may not add to 100% due to rounding)

<b>Age Groups</b>	<b>Percent of Population</b>			
	<b>Denver</b>	<b>Denver-Aurora MSA</b>	<b>State of Colorado</b>	<b>United States</b>
0-5	7.8%	8.6%	8.3%	8.0%
6-11	7.8	8.7	8.4	8.2
12-17	6.8	8.6	8.5	8.5
18-24	8.3	8.9	9.9	10.0
25-34	18.4	15.2	14.9	13.3
35-44	16.4	15.9	15.1	14.6
45-54	13.7	14.9	14.8	14.4
55-64	9.7	9.9	9.9	10.4
65-74	5.3	5.1	5.4	6.5
75+	5.9	4.3	6.5	6.1

Source: Trade Dimensions International, Inc., *Demographics USA*® 2006 – County Edition

**Income**

The following tables set forth median household effective buying income (“EBI”) and the percentage of households by EBI groups for Denver, the Denver metropolitan area, the State and the United States for the past five years. EBI is defined as money income, less personal tax and non-tax payments, often referred to as “disposable” or “after-tax” income. EBI is computed as a derivative of household income, with the correspondence between before-tax and after-tax income based on a three-year combination of Current Population Survey data.

**Median Household Effective Buying Income**

<b>As of January 1</b>	<b>Denver</b>	<b>Denver Metro Area<sup>1</sup></b>	<b>State of Colorado</b>	<b>United States</b>
2002	\$42,540	\$49,109	\$44,050	\$38,365
2003	37,261	46,878	43,510	38,035
2004	37,383	47,275	43,544	38,201
2005	38,523	48,239	44,489	39,324
2006	39,658	49,100	45,594	40,529

<sup>1</sup> Figures for 2002 and 2003 are for the Denver MSA, and figures for 2005-2006 are for the Denver-Aurora MSA.

Source: Trade Dimensions International, Inc., *Demographics USA*® – County Edition, 2002-2006

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

The following table sets forth a recent breakdown of households by EBI groups for Denver, the Denver-Aurora MSA and the State.

**Percent of Households by Effective Buying Income Groups  
as of January 1, 2006**

	<b>Less Than \$15,000</b>	<b>\$15,000- \$24,999</b>	<b>\$25,000- \$44,999</b>	<b>\$50,000- \$74,999</b>	<b>\$75,000- \$99,999</b>	<b>\$100,000- \$149,999</b>	<b>\$150,000 or More</b>
Denver	14.2%	13.2%	34.9%	19.1%	9.7%	5.7%	3.2%
Denver-Aurora MSA	8.7	9.8	32.7	23.8	13.5	7.8	3.7
State of Colorado	10.4	11.5	33.7	22.4	12.1	6.7	3.2
United States	14.1	13.5	34.2	20.3	9.7	5.7	2.5

Source: Trade Dimensions International, Inc., *Demographics USA*® 2006 – County Edition

The following table sets forth recent annual per capita personal income levels of Denver, the Denver-Aurora MSA, the State and the United States.

**Per Capita Personal Income in Current Dollars<sup>1</sup>**

<b>Year</b>	<b>Denver<sup>2</sup></b>	<b>Denver- Aurora MSA</b>	<b>State of Colorado</b>	<b>United States</b>
2000	\$39,151	\$37,848	\$33,371	\$29,845
2001	41,921	39,449	34,493	30,574
2002	42,552	38,827	34,027	30,810
2003	43,606	39,212	34,056	31,463
2004	45,957	40,939	35,766	33,090
2005	Not Available	Not Available	37,459	34,495

<sup>1</sup> Figures for Denver and the Denver-Aurora MSA are as of April 2006, and figures for Colorado and the United States are as of September 2006.

<sup>2</sup> The City and County of Broomfield was created from parts of Adams, Boulder, Jefferson and Weld counties effective November 15, 2001. Jefferson County and Adams County figures do not include those portions that became part of Broomfield beginning in 2002.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**Public School Enrollment**

The K-12 education system in the Denver-Aurora MSA consists of 26 public school districts plus a number of private and parochial school systems. The area also has a variety of institutions of higher learning, including work-class research institutions, graduate and professional schools and a broad spectrum of undergraduate programs. The following table sets forth the recent enrollment history for the public school districts that serve all or a portion of the Denver-Aurora MSA.

**School District Fall Enrollment  
Public School Districts Serving the Denver-Aurora MSA**

<b>School District</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>% Change Over Period</b>
Adams County:						
Mapleton 1	5,623	5,721	5,704	5,554	5,595	(0.5)%
Northglenn-Thornton 12	33,522	34,869	36,360	37,598	37,341	11.4
Adams County 14	6,698	6,528	6,638	6,868	6,838	2.1
Brighton 27J	7,277	8,265	9,256	10,450	11,569	59.0
Bennett 29J	1,035	1,068	1,133	1,126	1,173	13.3

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

<u>School District</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>% Change Over Period</u>
Strasburg 31J	823	890	932	977	958	16.4
Westminster 50	11,012	10,562	10,671	10,775	10,683	(3.0)
Arapahoe County:						
Englewood 1	4,200	4,085	3,883	3,733	3,495	(16.8)
Sheridan 2	1,936	1,861	1,749	1,770	1,613	(16.7)
Cherry Creek 5	45,738	46,654	47,868	48,661	49,684	8.6
Littleton 6	16,408	16,458	16,245	16,132	15,989	(2.6)
Deer Trail 26J	196	201	230	214	204	4.1
Adams-Arapahoe 28J (Aurora)	32,253	32,530	32,251	33,301	33,831	4.9
Byers 32J	554	577	535	547	543	(2.0)
Clear Creek RE-1	1,235	1,216	1,154	1,076	1,060	(14.2)
Denver County 1	71,972	72,103	72,412	72,312	72,561	0.8
Douglas County RE 1	40,511	42,009	44,761	48,043	50,370	24.3
Elbert County:						
Elizabeth C-1	2,904	2,867	2,841	2,891	3,017	3.9
Kiowa C-2	484	440	422	415	383	(20.9)
Big Sandy 100J	366	357	331	335	331	(9.6)
Elbert 200	287	304	300	299	265	(7.7)
Agate 300	112	90	91	74	61	(45.5)
Gilpin County RE-1	454	421	388	362	414	(8.8)
Jefferson County R-1	87,925	87,180	86,877	86,339	86,154	(2.0)
Park County:						
Platte Canyon 1	1,464	1,421	1,380	1,343	1,345	(8.1)
Park County RE-2	652	626	632	678	672	3.1

Source: Colorado Department of Education

### Employment

The following tables set forth the number of individuals employed within selected industries covered by unemployment insurance in the Denver MSA for the period 2001 through 2005. Beginning in 2001, such data is being published only under the North American Industrial Classification System (“NAICS”) codes and is not directly comparable to data published for prior years.

#### Average Number of Employees Within Selected Industries in the Denver MSA Subject to State Unemployment Laws - NAICS Classifications

<u>Industry</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Agriculture, Forestry, Fishing, Hunting	2,151	2,024	1,855	1,715	1,903
Mining	5,261	5,127	4,977	5,141	5,093
Utilities	3,752	3,758	3,588	3,627	3,710
Construction	90,603	86,775	79,659	79,282	83,256
Manufacturing	78,108	74,956	70,821	71,684	72,091
Wholesale Trade	68,124	65,068	62,673	61,982	62,566
Retail Trade	120,285	122,675	120,298	120,474	123,825
Transportation and Warehousing	46,787	44,090	43,112	43,674	43,418
Information	67,300	60,094	54,470	51,314	48,424
Finance and Insurance	69,011	68,357	69,124	69,498	70,555
Real Estate, Rental and Leasing	26,037	25,830	26,095	26,167	25,968
Professional and Technical Services	89,819	86,505	83,527	85,268	89,744
Management of Companies and	12,998	14,889	16,167	17,652	19,581

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

Administrative and Waste Services	85,584	79,912	77,318	79,613	82,048
Educational Services	13,540	13,976	14,320	15,007	15,882
Health Care and Social Assistance	91,730	94,987	97,297	99,445	101,523
Arts, Entertainment and Recreation	14,672	15,014	15,006	16,325	16,633
Accommodation and Food Services	92,467	94,076	93,785	95,880	98,586
Other Services	35,558	36,027	35,276	35,324	35,178
Nonclassifiable	27	23	23	59	69
Government	<u>153,826</u>	<u>160,443</u>	<u>160,755</u>	<u>159,994</u>	<u>161,286</u>
Total	<u>1,167,639</u>	<u>1,154,605</u>	<u>1,130,147</u>	<u>1,139,124</u>	<u>1,161,334</u>

Source: Colorado Department of Labor and Employment

The following table sets forth recent total labor force and unemployment statistics for Denver, the Denver-Aurora MSA and the State.

**Civilian Labor Force Averages**  
**Not Seasonally Adjusted**  
(Labor force expressed in thousands)

Year	Denver			Denver-Aurora MSA			State of Colorado		
	Labor Force	% Change	% Unemployed	Labor Force	% Change	% Unemployed	Labor Force	% Change	% Unemployed
2001	290.4	--	4.7%	1,244.8	--	3.9%	2,395.3	--	3.8%
2002	294.2	1.3%	1.3	1,249.6	0.4%	5.9	2,431.2	1.5%	5.7
2003	303.2	3.1	7.6	1,271.1	1.7	6.4	2,463.2	1.3	6.1
2004	308.9	1.9	6.7	1,290.6	1.5	5.8	2,510.4	1.9	5.6
2005	305.1	(1.2)	6.0	1,306.4	1.2	5.2	2,547.9	1.5	5.0

Source: Colorado Department of Labor and Employment

Set forth in the following table are major private sector (non-tax supported) employers in the Denver metropolitan area. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the area. It is possible that there are other large employers in the area that are not included in the table.



DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

**20 Largest Private Employers in the Denver Metropolitan Area**

<u>Company</u>	<u>Business</u>	<u>Employment</u>
Qwest Communications International	Telecommunications	9,500
King Soopers Inc.	Grocery stores	8,600
Wal-Mart Stores, Inc.	General merchandise	7,900
HealthONE	Health care	7,900
Lockheed Martin Corporation	Aerospace and defense-related	7,700
Safeway, Inc.	Grocery stores	6,700
EchoStar Communications	Satellite television	6,700
IBM Corporation	Computer systems	6,100
United Airlines	Airline	5,600
University of Denver	University	5,400
Exempla Healthcare	Health care	4,900
Sun Microsystems	Information technology	4,700
Centura Health	Health care	4,600
Frontier Airlines	Airline	4,300
Denver Health & Hospital Authority	Health care	4,100
Kaiser Permanente	Health care	3,900
Ball Corporation	Aerospace, containers	3,800
University of Colorado Hospital	Health care	3,800
Wells Fargo Bank West N.A.	Financial services	3,500
First Data Corporation	Financial services	3,500

Source: Metro Denver Economic Development Corporation, March 2006

**Retail Sales**

The following table sets forth recent retail sales figures for Denver, the Denver-Aurora MSA and the State as reported by the Colorado Department of Revenue.

<u>Year</u>	<b>Retail Sales</b> (Sales in billions)					
	<u>Denver</u>		<u>Denver-Aurora MSA</u>		<u>State of Colorado</u>	
	<u>Retail Sales</u>	<u>% Change</u>	<u>Retail Sales</u>	<u>% Change</u>	<u>Retail Sales</u>	<u>% Change</u>
2001	\$17.809	--	\$56.026	--	\$102.634	--
2002	17.242	(3.2%)	56.770	1.3%	103.778	1.1%
2003	16.845	(2.3)	57.327	1.0	105.420	1.6
2004	18.307	8.7	62.193	8.5	114.281	8.4
2005	19.908	8.7	66.294	6.6	122.907	7.5

Source: Colorado Department of Revenue

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

**Construction**

Set forth below are historical building permit statistics for Denver and the Denver MSA.

**Building Permit Activity in Denver**

(Values in millions)

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Public/Nonprofit</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2001	1,414	\$277.8	124	\$151.6	20	\$21.2	22	\$21.0
2002	2,049	381.0	196	47.9	28	3.5	71	39.2
2003	1,843	350.2	156	52.8	23	10.0	13	14.3
2004	2,131	13.5	129	45.5	19	13.5	9	19.1
2005	2,218	515.5	262	146.7	31	18.4	19	23.2

Source: Metro Denver Economic Development Corporation

**Building Permit Activity in the Denver MSA**

(Values in millions)

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Public/Nonprofit</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2001	14,039	\$2,421.2	794	\$1,147.7	122	\$ 79.1	44	\$ 34.7
2002	15,451	2,701.3	886	562.7	176	144.1	111	91.0
2003	15,255	2,252.0	584	415.1	108	70.8	48	53.0
2004	16,611	3,609.0	681	571.1	137	81.5	45	75.7
2005	16,469	3,428.0	1,557	686.9	121	109.1	58	185.2

Source: Metro Denver Economic Development Corporation

**New Residential Units in Denver and the Denver MSA**

<u>Year</u>	<u>Denver</u>				<u>Denver MSA</u>			
	<u>Single Family</u>	<u>Two Family</u>	<u>Multi-Family</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Multi-Family</u>	<u>Total Units</u>
2001	1,106	1,148	1,810	4,064	12,896	4,066	8,405	25,367
2002	1,475	1,244	1,336	4,055	12,481	3,910	4,055	20,446
2003	1,482	1,035	987	3,504	11,369	3,149	1,832	16,350
2004	1,419	1,087	1,174	3,680	12,736	4,315	2,319	19,370
2005	1,842	735	140	2,717	15,168	4,257	459	19,884
2006	1,428	1,658	319	3,405	10,239	5,121	1,667	17,027

Source: Home Builders Association of Metropolitan Denver

DEMOGRAPHIC AND ECONOMIC OVERVIEW OF THE DENVER METROPOLITAN AREA – 2006 (Continued)

**Foreclosures**

The following table sets forth recent foreclosures filed in the Denver-Aurora MSA.

**Foreclosures Filed in the Denver-Aurora MSA**

<u>County</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Adams	1,313	1,899	2,499	3,281	4,330
Arapahoe	1,575	2,250	3,125	3,600	4,719
Broomfield	73	110	132	124	195
Clear Creek	44	59	59	58	67
Denver	1,752	2,500	3,351	3,713	5,162
Douglas	415	652	800	912	1,258
Elbert	124	151	126	145	151
Gilpin	31	35	52	35	46
Jefferson	1,130	1,532	1,880	2,120	2,971
Park	147	139	155	200	208
Totals	<u>6,604</u>	<u>9,327</u>	<u>12,179</u>	<u>14,188</u>	<u>19,107</u>
Annual change	--	41.2%	30.6%	16.5%	34.7%

Source: County Public Trustees' Offices

\* \* \*

## E - OPERATING INFORMATION

*These schedules contain information about Denver Water's operations and resources to help the reader understand how Denver Water's financial information relates to the services Denver Water provides and the activities it performs.*

EMPLOYEES BY DIVISION: 1997 - 2006

Divisions/Sections	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Manager &amp; Staff Division</b>										
Manager and Staff	14.0	14.0	14.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0
Human Resources	24.8	27.8	27.8	27.8	27.0	25.0	25.0	25.0	22.0	23.0
	<b>38.8</b>	<b>41.8</b>	<b>41.8</b>	<b>40.8</b>	<b>40.0</b>	<b>38.0</b>	<b>38.0</b>	<b>38.0</b>	<b>36.0</b>	<b>37.0</b>
<b>Information Technology Division</b>	<b>58.8</b>	<b>57.8</b>	<b>59.8</b>	<b>61.8</b>	<b>57.8</b>	<b>53.8</b>	<b>48.0</b>	<b>46.8</b>	<b>43.8</b>	<b>0.0</b>
<b>Public Affairs Division</b>										
Director of Public Affairs	6.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0
Community Relations	4.2	4.2	4.0	5.2	4.7	4.7	4.5	4.8	4.2	4.6
Conservation	10.0	9.8	12.0	12.0	10.0	7.0	6.0	7.0	7.0	6.0
Print Shop <sup>1</sup>	-	-	-	-	3.0	4.0	4.0	3.0	2.0	2.0
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Customer Care	37.0	35.0	36.0	35.0	28.0	25.5	24.0	24.0	24.0	24.0
Customer Services - Field	63.0	67.0	71.0	75.0	83.0	87.0	84.0	89.0	88.0	85.0
Meter Inspection Shop	5.0	0.0	-	-	-	-	-	-	-	-
Sales Administration	11.6	11.6	10.6	10.6	10.6	13.6	12.6	15.6	17.6	18.6
	<b>139.8</b>	<b>137.6</b>	<b>143.6</b>	<b>147.8</b>	<b>149.3</b>	<b>151.8</b>	<b>145.1</b>	<b>154.4</b>	<b>153.8</b>	<b>151.2</b>
<b>Legal Division</b>	<b>13.3</b>	<b>12.3</b>	<b>13.5</b>	<b>12.5</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>	<b>11.5</b>	<b>13.5</b>	<b>12.4</b>
<b>Finance Division</b>										
Director of Finance	10.0	9.0	9.0	9.0	9.0	7.0	8.0	8.0	7.0	8.0
Treasury Operations	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Budget	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Purchasing	9.0	9.0	9.0	8.0	8.0	7.0	8.0	8.0	7.0	7.0
Accounting	17.0	18.0	19.0	19.0	19.0	19.0	17.0	18.0	20.0	20.0
Rate Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	1.0
Records & Document Administration	8.0	6.0	6.0	8.0	8.0	12.0	12.0	12.0	13.0	13.0
Information Technology <sup>2</sup>	-	-	-	-	-	-	-	-	-	44.0
	<b>57.0</b>	<b>54.0</b>	<b>54.0</b>	<b>55.0</b>	<b>55.0</b>	<b>56.0</b>	<b>56.0</b>	<b>57.0</b>	<b>59.0</b>	<b>102.0</b>
<b>Engineering Division</b>										
Administration	8.0	9.0	9.0	8.6	9.0	8.0	8.0	8.0	8.0	8.0
Programs & Projects	36.0	35.0	37.0	37.0	37.0	36.0	35.0	33.0	32.0	31.0
Survey	26.0	25.0	24.0	25.0	26.0	26.0	25.0	25.0	26.0	22.0
Distribution	37.0	38.0	38.0	37.0	39.0	39.0	38.0	40.0	39.0	40.0
Construction Management	19.0	20.0	22.0	22.0	23.0	22.0	21.0	21.0	21.0	20.0
	<b>126.0</b>	<b>127.0</b>	<b>130.0</b>	<b>129.6</b>	<b>134.0</b>	<b>131.0</b>	<b>127.0</b>	<b>127.0</b>	<b>126.0</b>	<b>121.0</b>
<b>Planning Division</b>										
Director of Planning	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	4.0	5.0
Environmental Planning	5.6	5.6	5.6	4.6	4.6	4.4	4.4	4.4	4.4	4.4
Raw Water Supply	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	6.0	6.0
Water Rights	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0
Water Resources Analysis	10.7	10.8	10.8	10.8	10.8	10.0	10.0	9.0	8.0	8.0
General Planning	4.0	4.0	3.0	4.0	4.0	4.0	5.0	5.0	4.0	4.0
Hydraulics	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0
	<b>42.3</b>	<b>42.4</b>	<b>41.4</b>	<b>42.4</b>	<b>42.4</b>	<b>41.4</b>	<b>42.4</b>	<b>40.4</b>	<b>40.4</b>	<b>41.4</b>
<b>Operations and Maintenance Division</b>										
Plant Office	3.0	4.0	4.0	4.0	5.0	5.0	30.5	28.5	6.0	6.0
Water Quality & Compliance	31.8	31.8	31.8	31.0	30.0	30.5	12.0	12.0	28.0	28.0
Safety and Loss Control	13.0	14.0	15.0	12.0	12.0	11.0	5.0	5.0	12.0	11.0
Source of Supply	56.0	59.0	56.0	59.0	60.0	61.0	60.0	59.0	59.0	56.0
Water Treatment	86.0	88.0	83.0	79.0	69.0	68.0	66.0	65.0	61.0	59.0
Transmission & Distribution	154.0	156.0	157.0	158.0	163.0	159.0	162.0	157.0	161.0	161.0
Treated Water Operations	55.0	57.0	57.0	59.0	58.0	59.0	59.0	58.0	58.0	57.0
Instrumentation & Ctrl Systems	6.0	7.0	19.0	21.0	20.0	18.0	16.0	16.0	16.0	16.0
Maintenance and Warehouse	124.0	123.0	131.0	129.0	127.0	129.0	125.0	127.0	128.0	129.0
	<b>528.8</b>	<b>539.8</b>	<b>553.8</b>	<b>552.0</b>	<b>544.0</b>	<b>540.5</b>	<b>535.5</b>	<b>527.5</b>	<b>529.0</b>	<b>523.0</b>
<b>Total All Divisions</b>	<b>1,004.8</b>	<b>1,012.7</b>	<b>1,037.9</b>	<b>1,041.9</b>	<b>1,036.0</b>	<b>1,026.0</b>	<b>1,005.5</b>	<b>1,002.6</b>	<b>1,001.5</b>	<b>988.0</b>

<sup>1</sup>Print Shop transferred from Public Affairs to Information Technology in 2003.

<sup>2</sup>Information Technology transferred from Finance to Manager & Staff in 1998.

<sup>3</sup>Administration Division disbandedn February 1997 & employees transferred to other divisions.

<sup>4</sup>Number of employees includes regular and introductory employees. Temporary, project and casual employees are not included.

(amounts expressed in thousands)

NEW FACILITIES

SOURCE OF SUPPLY

Land Acquisitions	\$ 12,446	
Gross Dam Power Plant	10,215	
South Platte Downstream Storage - Gravel Pits	4,601	
Moffat TP Storage Plan - Leyden Gulch/Gross Expansion	2,920	
Water Rights	1,398	
Fraser-Jim Creek Collection System-Channel Improvements	523	
Cheesman Reservoir	492	
Strontia Reservoir	101	
Antero Reservoir	75	
Cherry Creek Well	69	
Long Lake Reservoir	61	
Williams Fork Collection System	60	
Moffat Collection System	38	
Metro Sewer Pump Station	26	
Other Miscellaneous	13	
Total Source of Supply	33,038	

PUMPING PLANT AND CLEAR WATER STORAGE

Montclair Pump Station	2,881	
Green Mountain Pump Station	220	
Hillcrest Pump Station	172	
Einfeldt Pump Station	110	
Lonetree Pump Station	21	
Cherry Hills Pump Station	17	
Capitol Hill Pump Station	12	
Total Pumping Plant and Clear Water Storage	3,433	

WATER TREATMENT

Recycled Water Plant	2,463	
Foothills Treatment Plant	1,545	
Marston Treatment Plant	287	
Moffat Treatment Plant	57	
Total Water Treatment	4,352	

TRANSMISSION AND DISTRIBUTION

Recycled Water Conduits/Distribution System/Projects	19,833	
Distribution Mains & Hydrants	3,859	
Conduit #151	739	
Conduit #129	190	
Conduit #159	131	
Conduit #158	34	
Conduit #57	34	
Colorow Reservoir	33	
Conduit #31	31	
Conduit #143	30	
Conduit #123	20	
Conduit #154	16	
Other Miscellaneous	9	
Total Transmission and Distribution	24,959	

NON-UTILITY

Highline Canal	2	
Total Non-Utility	2	

OTHER

AMR-Large Meter Replacement Project	1,605	
Total Other	1,605	
TOTAL NEW FACILITIES	\$ 67,389	

(Continued next page)

ADDITIONS TO CAPITAL ASSETS - 2006  
(amounts expressed in thousands)

(Page 2 of 2)

<u>FACILITY REPLACEMENTS AND IMPROVEMENTS</u>		
SOURCE OF SUPPLY		
Eleven Mile Reservoir	\$ 2,219	
Ralston Reservoir	2,201	
Roberts Tunnel	258	
Conduit #57	199	
Cheesman Reservoir	160	
Moffat Collection System	142	
Vasquez-St. Louis Collection System	128	
Other Miscellaneous	81	
Total Source of Supply	<u>5,388</u>	5,388
PUMPING PLANT AND CLEAR WATER STORAGE		
Lakeridge Pump Station	373	
Highlands Pump Station	204	
Hillcrest Pump Station	160	
Cherry Hills Pump Station	117	
Capitol Hill Pump Station	89	
Green Mountain Pump Station	64	
Einfeldt Pump Station	35	
Other Miscellaneous	30	
Total Pumping Plant and Clear Water Storage	<u>1,072</u>	1,072
WATER TREATMENT		
Foothills Treatment Plant	787	
Foothills Power Plant	606	
Marston Treatment Plant	425	
Moffat Treatment Plant	145	
Recycled Water Plant	75	
Marston Water Quality Lab	13	
Total Water Treatment	<u>2,051</u>	2,051
TRANSMISSION AND DISTRIBUTION & CLEAR WATER STORAGE		
Mains - Replace, Extend and Relocate	13,246	
Fire hydrants - Replacements, Raise, Relocate	1,235	
Conduit #122	466	
Conduit #2	397	
Conduit #90	354	
Conduit #31	328	
Conduit #125	294	
Conduit #12	255	
Conduit #3	253	
Conduit #54	217	
56th Avenue Reservoir	115	
Lonetree Reservoir	114	
Ashland Reservoir	112	
Conduit #83	103	
Decentralization Stations	96	
Conduit #13	80	
Conduit #59	63	
Broomfield Reservoir	62	
Highland Reservoir	50	
Other Miscellaneous	9	
Total Transmission and Distribution	<u>17,849</u>	17,849
NON-UTILITY		
Highline Canal	4	
Total Non-Utility	<u>4</u>	4
GENERAL PLANT		
Westside	1,379	
Kassler	335	
Total General Plant	<u>1,714</u>	1,714
TOTAL FACILITY REPLACEMENTS AND IMPROVEMENTS		
	<u>28,078</u>	
<u>GENERAL EQUIPMENT ADDITIONS, REPLACEMENTS, AND IMPROVEMENTS</u>		
Capitalized Software & IT Projects	3,651	
Motor Vehicles & Heavy Equipment	1,946	
Computer Equipment	797	
General Equipment	571	
Alcatel Telephone System	26	
TOTAL GENERAL EQUIPMENT	<u>6,991</u>	
TOTAL PROPERTY, PLANT & EQUIPMENT ADDITIONS		
	<u>\$102,458</u>	

CAPITAL ASSETS BY FUNCTION: 1997 - 2006  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>UTILITY PLANT IN SERVICE:</b>										
Source of supply plant	\$ 477,999	\$ 458,168	\$ 448,308	\$ 419,350	\$ 400,248	\$ 391,499	\$ 382,873	\$ 362,655	\$ 360,666	\$ 347,612
Pumping plant	70,951	70,212	64,728	49,574	46,064	45,038	43,429	35,679	35,037	32,950
Water treatment plant	330,394	331,481	315,906	272,104	233,121	232,532	230,385	202,484	194,201	192,217
Transmission and distribution plant	747,966	726,563	696,718	652,700	605,581	585,059	605,138	562,657	553,506	536,298
General plant and equipment	113,928	103,899	100,246	99,278	91,114	88,926	86,668	78,206	72,630	72,316
Leasehold and other improvements	90,535	90,522	90,297	85,594	71,709	59,587	7,847	7,072	6,698	5,758
Land held for future use	14,050	14,050	14,050	14,062	14,063	14,073	14,073	14,090	14,422	14,436
Total utility plant in service	<b>1,845,823</b>	1,794,895	1,730,253	1,592,662	1,461,900	1,416,714	1,370,413	1,262,843	1,237,160	1,201,587
<b>NONUTILITY PLANT IN SERVICE:</b>										
Plant	8,802	8,949	9,127	8,927	7,549	7,636	7,637	7,404	7,496	6,938
General equipment	69	69	69	60	61	61	73	76	74	100
Idle plant	203									
Total nonutility plant in service	<b>9,074</b>	9,018	9,196	8,987	7,610	7,697	7,710	7,480	7,570	7,038
<b>UTILITY PLANT UNDER CAPITAL LEASE:</b>										
Certificates of participation <sup>1</sup>	78,584	69,151	74,036	-	-	-	-	-	-	-
Other	42,981	42,981	42,981	42,981	42,981	42,981	42,981	42,981	42,981	42,981
Total utility plant under capital lease	<b>121,565</b>	112,132	117,017	42,981	42,981	42,981	42,981	42,981	42,981	42,981
<b>CONSTRUCTION IN PROGRESS</b>										
	<b>119,506</b>	89,040	75,196	226,875	199,453	121,104	71,177	95,029	59,909	30,456
Gross capital assets	<b>2,095,968</b>	2,005,085	1,931,662	1,871,505	1,711,944	1,588,496	1,492,281	1,408,333	1,347,620	1,282,062
<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>										
	<b>506,095</b>	475,601	447,132	421,590	392,303	368,291	347,413	325,360	304,702	288,309
Net capital assets	<b>\$ 1,589,873</b>	\$ 1,529,484	\$ 1,484,530	\$ 1,449,915	\$ 1,319,641	\$ 1,220,205	\$ 1,144,868	\$ 1,082,973	\$ 1,042,918	\$ 993,753

<sup>1</sup> Assets under Certificates of Participation capital lease were reclassified from Water Treatment Plant in 2004.



RECEIPTS AND EXPENDITURES  
 BUDGET TO ACTUAL COMPARISON 2002 - 2006 AND 2007 BUDGET (CASH BASIS)  
 (amounts expressed in thousands)

	2002		2003		2004		2005		2006		2007
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
BEGINNING CASH & INVESTMENTS	\$ 186,755	\$ 186,755	\$ 156,540	\$ 156,540	\$ 163,405	\$ 163,405	\$ 154,996	\$ 155,626	\$ 159,276	\$ 159,276	\$ 149,198
<b>RECEIPTS FROM:</b>											
Sale of water	148,785	146,210	133,065	131,038	157,450	130,838	169,492	157,902	164,333	195,054	189,814
Drought Surcharge	-	776	11,043	8,001	-	12,425	(2,657)	68			
Nonoperating, interest & other	12,111	16,480	16,695	13,683	18,879	19,048	15,202	12,391	14,976	25,254	17,165
System development charges	27,446	36,644	23,783	19,649	22,034	24,917	22,586	26,280	25,654	22,389	27,843
Tap Surcharge	-	1,333	4,583	1,641	-	1,195					
Developer participation (new facilities)	3,918	5,573	2,115	2,835	2,036	2,241	2,593	1,850	4,978	2,735	5,014
Reimbursements & grants	152	1,881	3,123	3,420	494	3,646	450	762	2,705	1,586	2,658
	<u>192,412</u>	<u>208,897</u>	<u>194,407</u>	<u>180,267</u>	<u>200,893</u>	<u>194,310</u>	<u>207,666</u>	<u>199,253</u>	<u>212,646</u>	<u>247,018</u>	<u>242,494</u>
Sale of bonds	27,395	11,393	40,500	132,438	9,000	14,300	25,000	30,500	40,000		50,000
Total receipts	<u>219,807</u>	<u>220,290</u>	<u>234,907</u>	<u>312,705</u>	<u>209,893</u>	<u>208,610</u>	<u>232,666</u>	<u>229,753</u>	<u>252,646</u>	<u>247,018</u>	<u>292,494</u>
<b>LESS EXPENDITURES FOR:</b>											
Operations, maintenance & refunds	91,297	95,453	97,006	105,463	103,583	106,354	107,294	111,379	116,770	114,980	124,803
Debt service	32,712	35,258	33,630	71,338	37,878	38,445	44,428	44,732	47,398	46,264	54,392
	<u>124,009</u>	<u>130,711</u>	<u>130,636</u>	<u>176,801</u>	<u>141,461</u>	<u>144,799</u>	<u>151,722</u>	<u>156,111</u>	<u>164,168</u>	<u>161,244</u>	<u>179,195</u>
Capital improvements (new facilities)	78,240	81,421	91,228	100,017	47,079	38,478	43,325	30,848	50,400	59,246	61,012
System replacements	15,308	18,828	13,950	12,559	15,552	14,210	21,074	19,055	21,289	17,431	22,318
Equipment	10,069	8,834	7,264	5,528	13,556	7,744	12,878	8,334	13,853	7,083	15,732
	<u>103,617</u>	<u>109,083</u>	<u>112,442</u>	<u>118,104</u>	<u>76,187</u>	<u>60,432</u>	<u>77,277</u>	<u>58,237</u>	<u>85,542</u>	<u>83,760</u>	<u>99,062</u>
Indirects to capital	9,955	10,711	11,023	10,935	9,948	11,158	11,381	11,755	11,990	12,092	12,007
Total expenditures	<u>237,581</u>	<u>250,505</u>	<u>254,101</u>	<u>305,840</u>	<u>227,596</u>	<u>216,389</u>	<u>240,380</u>	<u>226,103</u>	<u>261,700</u>	<u>257,096</u>	<u>290,264</u>
ENDING CASH & INVESTMENTS	<u>\$168,981</u>	<u>\$156,540</u>	<u>\$ 137,346</u>	<u>\$ 163,405</u>	<u>\$145,702</u>	<u>\$ 155,626</u>	<u>\$147,282</u>	<u>\$159,276</u>	<u>\$150,222</u>	<u>\$149,198</u>	<u>\$151,428</u>

**GENERAL EXPLANATION OF VARIANCES:**

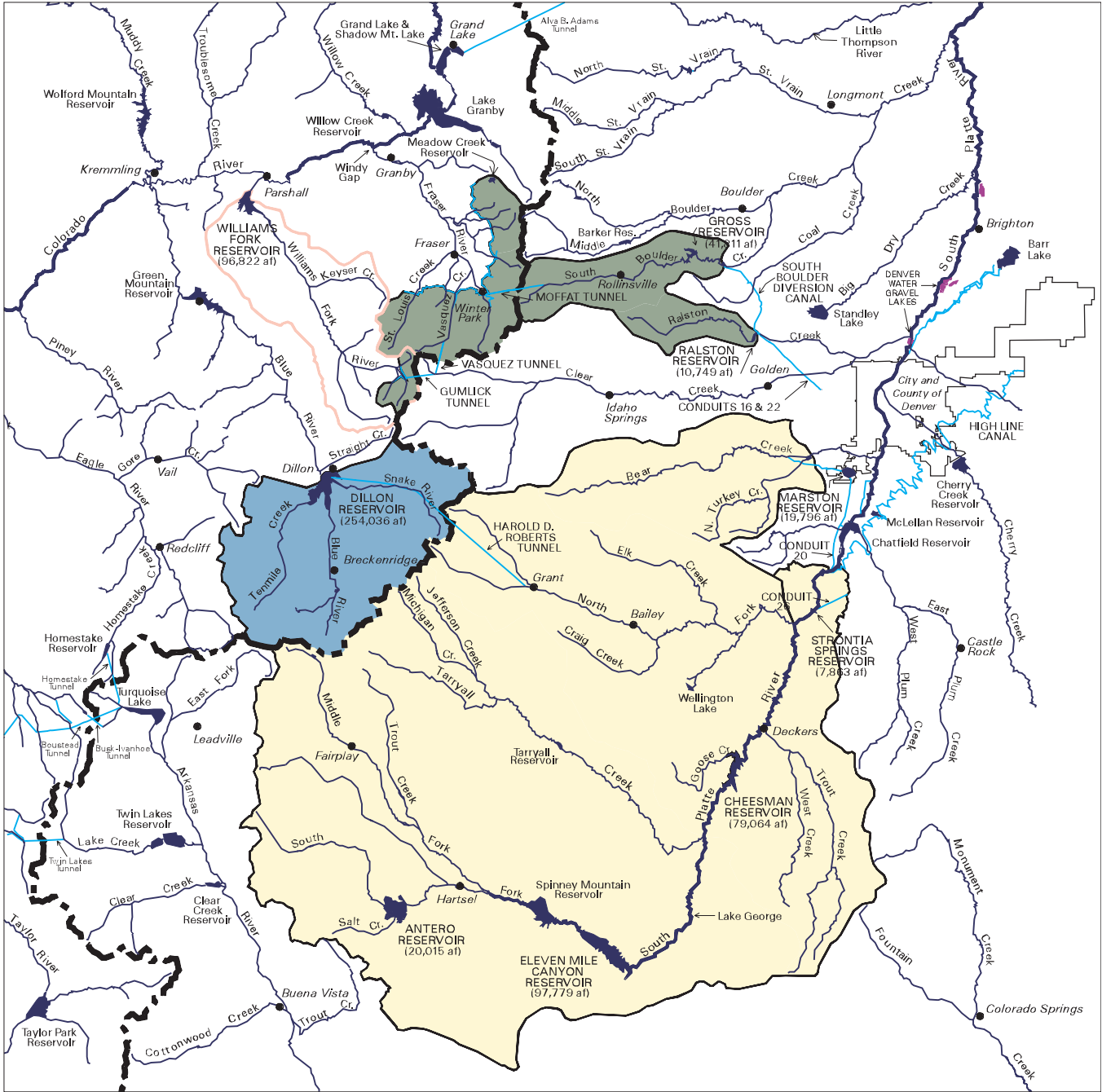
Variances in operating receipts are generally due to abnormal climatic conditions.  
 Variances in system development charges are generally related to levels of activity in the home building industry.  
 Variances in capital improvements are generally due to changes in project scheduling.  
 Cash and investments do not agree with amounts on the Statements of Net Assets.  
 Variance in beginning 2005 Cash & Investments Budget-Actual is due to Treasury's year end adjustment.

# Supply

## 2006 Facts

Raw water collected .....	323,964	Acre Feet
Percent of average yield-last 10 years .....	109%	
Percent from South Platte System .....	35%	
Percent from Moffat System .....	26%	
Percent from Roberts Tunnel System .....	39%	
Reservoir storage, January 1 .....	577,807	Acre Feet
Percent of capacity .....	85.8%	
Reservoir storage, December 31 .....	596,588	Acre Feet
Percent of capacity .....	88.6%	
Power generation .....	60,613,092	KWH
Value of power generation .....	\$2,658,030	

# City and County of Denver Board of Water Commissioners Water Collection System

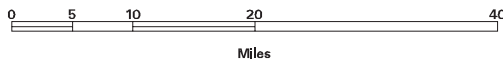


## LEGEND

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 20px; height: 10px; background-color: yellow; border: 1px solid black; margin-right: 5px;"></span> South Platte Collection System</li> <li><span style="display: inline-block; width: 20px; height: 10px; background-color: lightblue; border: 1px solid black; margin-right: 5px;"></span> Roberts Tunnel Collection System</li> <li><span style="display: inline-block; width: 20px; height: 10px; background-color: lightgreen; border: 1px solid black; margin-right: 5px;"></span> Moffat Collection System</li> <li><span style="display: inline-block; width: 20px; height: 10px; background-color: lightorange; border: 1px solid black; margin-right: 5px;"></span> Williams Fork Reservoir Watershed</li> </ul> | <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 20px; border-top: 2px dashed black; margin-right: 5px;"></span> Continental Divide</li> <li><span style="display: inline-block; width: 20px; border-bottom: 2px solid blue; margin-right: 5px;"></span> Major Stream or River</li> <li><span style="display: inline-block; width: 20px; border-bottom: 2px solid cyan; margin-right: 5px;"></span> Major Canal or Tunnel</li> <li><span style="display: inline-block; width: 20px; height: 10px; background-color: lightblue; border: 1px solid black; margin-right: 5px;"></span> Major Lake or Reservoir</li> <li><span style="display: inline-block; width: 0; height: 0; border-left: 5px solid transparent; border-right: 5px solid transparent; border-bottom: 10px solid black; margin-right: 5px;"></span> Town</li> </ul> |
|---|--|



Scale 1:1,000,000



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SOURCE OF SUPPLY - 2006  
Reservoirs and Collection Systems

(Page 1 of 2)

	Capacity in <u>Acre-Feet</u>	Capacity in <u>Million Gals.</u>
<b>RAW WATER STORAGE</b>		
Storage Reservoirs:		
Dillon	254,036	82,777.9
Eleven Mile Canyon	97,779	31,861.4
Cheesman	79,064	25,763.1
Gross	41,811	13,624.2
Antero	20,015	6,521.9
Chatfield	27,428	8,937.4
Soda Lakes (Board owns 35.16% of water)	645	210.2
Total Storage Reservoirs	<u>520,778</u>	<u>169,696.0</u>
Operating Reservoirs:		
Marston Lake	19,796	6,450.5
Ralston	10,749	3,502.6
Strontia Springs	7,863	2,562.2
Long Lakes	1,787	582.3
Platte Canyon	910	296.5
Total Operating Reservoirs	<u>41,105</u>	<u>13,394.1</u>
<b>TOTAL RAW WATER STORAGE</b>	<u><u>561,883</u></u>	<u><u>183,090.1</u></u>
 <b>REPLACEMENT RESERVOIRS</b>		
Williams Fork	96,822	31,549.5
Wolford Mountain (Board owns 40% of water)	25,610	8,345.0
Total Replacement Reservoirs	<u>122,432</u>	<u>39,894.6</u>
 <b>MOUNTAIN COLLECTION SYSTEM</b>		
	<u>Length in Feet</u>	<u>Length in Miles</u>
Moffat Collection System:		
Concrete and Steel Pipe	93,269	17.4
Moffat Water Tunnel	32,383	6.1
Open Canals	19,223	3.8
Covered Canals	22,587	4.3
Other Tunnels	10,953	2.1
Total Moffat Collection System	<u>178,415</u>	<u>33.7</u>
Williams Fork Collection System:		
Steel Pipe	18,939	3.6
Vasquez Tunnel	17,874	3.4
A. P. Gumlick Tunnel	15,572	3.0
Open Canals	1,795	0.3
Total Williams Fork Collection System	<u>54,180</u>	<u>10.3</u>
Roberts Tunnel	<u>122,953</u>	<u>23.3</u>
South Boulder Diversion Conduit:		
Open Canals	33,250	6.3
Concrete and Steel Pipe	10,948	2.1
Tunnels	7,704	1.5
Covered Canals	1,748	0.3
Total South Boulder Diversion Conduit	<u>53,650</u>	<u>10.2</u>
<b>TOTAL MOUNTAIN COLLECTION SYSTEM</b>	<u><u>409,198</u></u>	<u><u>77.5</u></u>

RAW WATER SUPPLY MAINS

	<u>Size</u>	<u>Kind of Pipe</u>	<u>Capacity in MGD</u>	<u>Length in Feet</u>	<u>Length in Miles</u>
Conduit 14:	48"	Concrete	32.0	<u>3,324</u>	<u>0.6</u>
Conduit 15:	60"	Concrete		8,040	1.5
	60"	Steel		11,158	2.1
	72"	Concrete		6,057	1.2
	72"	Steel		<u>6,185</u>	<u>1.2</u>
Total Conduit 15		100.0	<u>31,440</u>	<u>6.0</u>	
Conduit 16:	42"	Concrete		44,707	8.4
	42"	Steel		579	0.1
	48"	Concrete		<u>346</u>	<u>0.1</u>
Total Conduit 16		62.0	<u>45,632</u>	<u>8.6</u>	
Conduit 20:	60"	Steel		1,038	0.2
	84"	Steel		563	0.1
	90"	Concrete		59,899	11.3
	96"	Concrete-Lined Tunnel		3,012	0.6
	108"	Steel		<u>8,000</u>	<u>1.5</u>
Total Conduit 20		222.0	<u>72,512</u>	<u>13.7</u>	
Conduit 22:	30"	Concrete		47	- <sup>1</sup>
	48"	Concrete		11	- <sup>1</sup>
	54"	Concrete		44,334	8.4
	54"	Steel		<u>510</u>	<u>0.1</u>
Total Conduit 22		137.0	<u>44,902</u>	<u>8.5</u>	
Conduit 26:	126"	Steel		1,746	0.3
	126"	Concrete		147	- <sup>1</sup>
	126"	Concrete-Lined Tunnel		<u>16,089</u>	<u>3.0</u>
Total Conduit 26		750.0	<u>17,982</u>	<u>3.3</u>	
TOTAL RAW WATER SUPPLY MAINS				<u>215,792</u>	<u>40.7</u>

<sup>1</sup>Less than 0.1 mile.

INFILTRATION GALLERIES & WELLS

	<u>Capacity in MGD</u>
Cherry Creek Wells: Well O	1.2
Farnell Lane Well Field	- <sup>2</sup>

<sup>2</sup>Alternative uses for supplies from the Farnell Lane Well Field are presently under study.

## POWER GENERATION, PURCHASE, DISTRIBUTION, AND BANKING

POWER GENERATION AND PURCHASE	<u>Kilowatt Hours</u>	<u>Value</u>
Net Power Generation: <sup>1</sup>		
Dillon	12,993,467	\$ 622,181
Foothills	11,868,420	554,523
Hillcrest	8,435,000	398,493
Roberts Tunnel	9,689,931	482,758
Strontia Springs	5,636,685	280,435
Williams Fork	11,989,589	319,640
Total Power Generation	<u>60,613,092</u>	<u>2,658,030</u>
Power Purchased for Department of Energy (DOE) power interference	<u>-</u>	<u>-</u>
<b>TOTAL POWER GENERATION AND PURCHASE</b>	<u><u>60,613,092</u></u>	<u><u>2,658,030</u></u>
POWER DISTRIBUTION		
Power Consumption: <sup>1</sup>		
Foothills	5,477,657	255,930
Hillcrest	1,013,380	47,875
Total Power Consumption	<u>6,491,037</u>	<u>303,805</u>
Power Sales:		
To Xcel Energy:		
Dillon	12,993,467	622,181
Foothills	6,390,763	298,593
Hillcrest	7,421,620	350,618
Roberts Tunnel	9,689,931	482,758
Strontia Springs	5,636,685	280,435
	<u>42,132,466</u>	<u>2,034,585</u>
To Tri-State Generation and Transmission Association:		
Williams Fork	11,989,589	319,640
Total Power Sales	<u>54,122,055</u>	<u>2,354,225</u>
Power Deliveries to DOE for Power Interference:		
Williams Fork	-	-
Purchased Power	<u>-</u>	<u>-</u>
Total Power Deliveries to DOE	<u>-</u>	<u>-</u>
<b>TOTAL POWER DISTRIBUTION</b>	<u><u>60,613,092</u></u>	<u><u>2,658,030</u></u>
DOE BANKED POWER INTERFERENCE ACCOUNT <sup>2</sup>		
Balance, Beginning of Year	80,032,581	2,400,977
Net Interference	(16,082,035)	-
Total Allocation	3,906	117
Balance, End of Year	<u>63,954,452</u>	<u>\$ 2,401,095</u>

<sup>1</sup>Net Power Generation is total generation less station service (except Foothills and Hillcrest) and transmission wheeling losses. Value of Williams Fork power and that consumed by Foothills and Hillcrest based on PS<sup>1</sup> tariff schedule TT, June 4, 1988

<sup>2</sup>Value based on 30 mills/kwh (approximate average of PSC and DOE rates).

## POWER VALUE, COST, AND RETURN ON INVESTMENT

	Power Plant						Total
	<u>Dillon</u>	<u>Foothills</u>	<u>Hillcrest</u>	<u>Roberts Tunnel</u>	<u>Strontia Springs</u>	<u>Williams Fork</u>	
Date of Commercial Operation:	Oct 1, 1987	May 25, 1985	Jun 30, 1993	Jan 30, 1988	Aug 11, 1986	July 25, 1959	
<b>VALUE OF POWER GENERATION</b>							
Xcel Sales	\$ 622,181	\$ 298,593	\$ 350,618	\$ 482,758	\$ 280,435	\$ -	\$ 2,034,585
Foothills Consumption	-	255,930	-	-	-	-	255,930
Hillcrest Consumption	-	-	47,875	-	-	-	47,875
Delivered to Tri-State	-	-	-	-	-	319,640	319,640
<b>TOTAL VALUE</b>	<u>622,181</u>	<u>554,523</u>	<u>398,493</u>	<u>482,758</u>	<u>280,435</u>	<u>319,640</u>	<u>2,658,030</u>
<b>COST OF POWER GENERATION</b>							
Transmission Wheeling	-	19,065	-	26,622	-	-	45,687
Operation and Maintenance	99,438	128,415	98,221	136,789	184,056	97,989	744,909
Administrative Expense	23,236	39,091	25,336	29,165	26,784	26,150	169,762
Depreciation	94,111	61,490	127,617	127,253	44,796	124,375	579,642
<b>TOTAL COST</b>	<u>216,785</u>	<u>248,061</u>	<u>251,174</u>	<u>319,829</u>	<u>255,637</u>	<u>248,514</u>	<u>1,540,000</u>
Net Return (Loss)	<u>\$ 405,396</u>	<u>\$ 306,462</u>	<u>\$ 147,319</u>	<u>\$ 162,929</u>	<u>\$ 24,798</u>	<u>\$ 71,126</u>	<u>\$ 1,118,030</u>
Plant Investment (Before Depreciation)	<u>\$ 4,472,104</u>	<u>\$ 2,863,343</u>	<u>\$ 6,292,281</u>	<u>\$ 6,007,230</u>	<u>\$ 1,758,620</u>	<u>\$ 4,054,234</u>	<u>\$ 25,447,812</u>
Return on Investment	<u>9%</u>	<u>11%</u>	<u>2%</u>	<u>3%</u>	<u>1%</u>	<u>2%</u>	<u>4%</u>

WATER SUPPLY, USE AND STORAGE: 1997 - 2006

Values in acre-feet

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>SUPPLY</b>										
South Platte System:										
South Platte Direct Rights	63,190	73,934	62,054	62,319	34,238	67,216	78,106	138,421	118,924	119,689
South Platte Storage Rights	15,812	59,502	26,738	43,562	4,686	43,142	38,406	66,492	60,580	68,492
Bear Creek Rights	1,234	2,302	4,100	15,062	901	1,844	908	-	-	47
Total South Platte System	80,236	135,738	92,892	120,943	39,825	112,202	117,420	204,913	179,504	188,228
Blue River/Roberts Tunnel System	127,074	94,470	75,984	164,294	56,848	102,282	102,750	54,064	48,384	92,174
Effluent Exchange <sup>1</sup>	33,632	19,012	27,086	24,039	19,031	17,724	16,492	5,864	11,444	6,250
Moffat System:										
Fraser Collection System	65,034	48,190	43,408	65,458	21,678	51,288	49,355	35,018	30,166	44,932
Williams Fork Collection System	11,414	3,816	10,364	5,726	7,856	11,350	3,612	278	2,534	2,692
Cabin-Meadow Creek System	6,574	4,424	5,074	5,020	3,582	5,716	6,406	570	3,680	2,820
South Boulder Creek	-	4,388	-	6,814	-	2,810	-	16,140	12,144	22,142
Ralston Creek	-	3,054	498	1,054	-	132	438	5,266	5,696	5,044
Total Moffat System	83,022	63,872	59,344	84,072	33,116	71,296	59,811	57,272	54,220	77,630
Total Water Supply	323,964	313,092	255,306	393,348	148,820	303,504	296,473	322,113	293,552	364,282
<b>USE</b>										
Foothills Filters	135,775	124,411	118,945	120,112	158,777	141,780	165,454	174,596	181,238	162,841
Marston Filters	34,633	30,008	25,097	38,448	54,849	59,614	47,463	26,667	15,574	26,874
Moffat Filters	58,907	55,802	41,864	42,164	17,649	47,481	43,031	29,915	40,949	41,491
Total Water Filtered	229,315	210,221	185,906	200,724	231,275	248,875	255,948	231,178	237,762	231,206
Change in Clear Water Storage	8	(83)	3	(20)	(340)	(136)	382	(291)	(17)	(2)
Total Treated Water Delivered <sup>2</sup>	229,323	210,138	185,909	200,704	230,935	248,739	256,330	230,887	237,745	231,204
Raw Water Deliveries	43,061	32,726	38,535	43,136	44,454	29,040	38,478	26,248	27,063	30,248
Other Uses <sup>3</sup>	32,799	32,709	20,514	11,941	31,812	17,084	23,268	22,646	11,176	57,275
Evaporation Losses <sup>4</sup>	-	-	-	8,804	8,242	8,310	8,995	1,711	6,879	1,878
Total Water Use	305,183	275,573	244,958	264,585	315,443	303,173	327,071	281,492	282,863	320,605
<b>STORAGE<sup>5</sup></b>										
Total Reservoir Storage, December 31	596,588	577,807	496,555	501,084	309,874	544,527	553,929	607,921	591,462	607,786
Total Reservoir Storage, January 1	577,807	496,555	501,084	309,874	544,527	553,929	607,921	591,462	607,786	555,276
Storage Gain or (Loss)	18,781	81,252	(4,529)	191,210	(234,653)	(9,402)	(53,992)	16,459	(16,324)	52,510

<sup>1</sup>Initiated exchange programs for Blue River effluent on September 10, 1976.

<sup>2</sup>Total Treated Water Delivered is determined by adding or subtracting Change in Clear Water Storage from Total Water Filtered.

<sup>3</sup>Other Uses include, but are not limited to, evaporation, carriage losses, seepage losses, Chatfield bypasses, flood bypasses, and releases for power production and maintenance projects.

<sup>4</sup>Evaporation losses included in Other Uses beginning in 2004.

<sup>5</sup>Reservoirs used to compute total storage changed for the 2002 report. 1993-2001 data were adjusted for this change.



# Pumping

## 2006 Facts

Water pumped - Current year .....	44,937.60	MG <sup>1</sup>
Water pumped - Last year .....	41,890.71	MG <sup>1</sup>
Percentage increase from last year .....	7%	
Number of pump stations .....	19	
Maximum pumping capacity .....	1,096.3	MGD <sup>2</sup>
Pumping energy costs - Current year .....	\$3,247,213	
Pumping energy costs - Last year .....	\$3,369,185	
Percentage decrease from last year .....	(4)%	

<sup>1</sup>Million Gallons

<sup>2</sup>Million Gallons per Day

PUMPING STATION CAPACITIES - 2006  
Center of pump U.S.G.S. elevation in parentheses

(Page 1 of 3)

<u>Pump Station/Elevation</u>	<u>Pump</u>		<u>Make of Motor</u>	<u>Horse-power</u>	<u>Head in Feet</u>	<u>Capacity in MGD</u>	<u>Method of Operation<sup>1</sup></u>	
	<u>Number</u>	<u>Make of Pump</u>					<u>M</u>	<u>R</u>
BELLEVIEW (5,714) (High Pressure)	4	Goulds	Ideal Electric	900	260	15.0	M	R
	5	Worthington	Westinghouse	300	260	5.0	M	R
	6	Worthington	General Electric	600	260	10.0	M	R
	7	Worthington	General Electric	900	260	15.0	M	R
				<u>2,700</u>		<u>45.0</u>		
BELLEVIEW (5,714) (Low Pressure)	1	Goulds	General Electric	250	175	6.0	M	R
	2	Goulds	General Electric	400	175	10.0	M	R
				<u>650</u>		<u>16.0</u>		
BROOMFIELD (5,316)	1	Patterson	Ideal Electric	400	350	5.0	M	R
	2	Patterson	Ideal Electric	400	350	5.0	M	R
	3	Patterson	Ideal Electric	400	350	5.0	M	R
	4	Goulds	US Motor	500	300	6.5	M	R
				<u>1,700</u>		<u>21.5</u>		
CAPITOL HILL (5,387)	3	Wheeler Economy	General Electric	800	175	20.0	M	R
	4	Byron Jackson	General Electric	400	175	12.0	M	R
	5	Cameron	General Electric	700	164	20.0	M	R
	6	Byron Jackson	Westinghouse	600	175	17.0	M	R
	7	Byron Jackson	Westinghouse	800	175	23.0	M	R
				<u>3,300</u>		<u>92.0</u>		
CASTLEWOOD (5785) <sup>2</sup>	1	Paco	Lincoln Linguard	75		2.3	M	L
	2	Paco	Lincoln Linguard	75		2.3	M	L
				<u>150</u>		<u>4.6</u>		
CHATFIELD (5,717) (Low Pressure)	1	ITT	US Motor	200	150	5.0	M	R
	2	ITT	US Motor	200	150	5.0	M	R
	3	ITT	US Motor	200	150	5.0	M	R
				<u>600</u>		<u>15.0</u>		
CHATFIELD (5,717) (High Pressure)	5	ITT	US Motor	400	320	5.0	M	R
	6	ITT	US Motor	400	320	5.0	M	R
				<u>800</u>		<u>10.0</u>		
CHERRY HILLS (5,380)	1	Worthington	General Electric	1,000	220	20.0	M	R
	2	Worthington	General Electric	1,000	220	20.0	M	R
	3	Worthington	General Electric	1,000	220	20.0	M	R
	4	Worthington	General Electric	1,000	220	20.0	M	R
	5	Worthington	General Electric	1,000	220	20.0	M	R
	6	Worthington	General Electric	1,000	220	20.0	M	R
				<u>6,000</u>		<u>120.0</u>		
CLARKSON (5,482) <sup>2</sup>	1	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
	2	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
	3	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
	4	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
	5	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
	6	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M	R
				<u>900</u>		<u>12.6</u>		
EINFELDT (5,341)	2	Wheeler Economy	General Electric	800	175	20.0	M	R
	3	Byron Jackson	General Electric	600	175	17.0	M	R
	4	Byron Jackson	General Electric	400	175	12.0	M	R
	5	Byron Jackson	Westinghouse	200	175	5.3	M	R
	6	Worthington	General Electric	800	175	20.0	M	R
	7	Wheeler Economy	General Electric	800	175	20.0	M	R
					<u>3,600</u>		<u>94.3</u>	

<sup>1</sup>M=Manual, R=Remote, L=Local

<sup>2</sup>Vault Type Structure (underground)

(Continued next page)

PUMPING STATION CAPACITIES - 2006  
Center of pump U.S.G.S. elevation in parentheses

(Page 2 of 3)

<u>Pump Station/Elevation</u>	<u>Pump Number</u>	<u>Make of Pump</u>	<u>Make of Motor</u>	<u>Horse-power</u>	<u>Head in Feet</u>	<u>Capacity in MGD</u>	<u>Method of Operation<sup>1</sup></u>	
FIFTY-SIXTH AVENUE (5,203)	2	Allis Chalmers	Ideal Electric	1,750	450	15.0	M	R
	3	Allis Chalmers	Ideal Electric	1,750	450	15.0	M	R
	4	Allis Chalmers	Ideal Electric	1,750	450	15.0	M	R
	5	Allis Chalmers	Ideal Electric	1,750	450	15.0	M	R
	8	Gould	U.S. Motor	500	75	30.0	M	R
	9	Gould	U.S. Motor	500	75	30.0	M	R
				<u>8,000</u>		<u>120.0</u>		
GREEN MOUNTAIN (5,837)	1	Patterson	General Electric	700	260	10.0	M	R
	2	Patterson	General Electric	350	260	5.0	M	R
	3	Patterson	General Electric	350	260	5.0	M	R
	4	Patterson	General Electric	700	260	10.0	M	R
				<u>2,100</u>		<u>30.0</u>		
HIGHLANDS (5,704) (Low Pressure)	1	Fairbanks Morse	General Electric	125	165	3.0	M	R
	2	Fairbanks Morse	General Electric	125	165	3.0	M	R
	3	Fairbanks Morse	General Electric	125	165	3.0	M	R
	4	Fairbanks Morse	General Electric	125	165	3.0	M	R
	5	DeLaval	Ideal Electric	350	165	10.0	M	R
	6	DeLaval	Ideal Electric	350	165	10.0	M	R
	7	DeLaval	Ideal Electric	350	165	10.0	M	R
				<u>1,550</u>		<u>42.0</u>		
HIGHLANDS (5,704) (High Pressure)	1	Gould	General Electric	900	260	15.0	M	R
	4	Gould	General Electric	900	260	15.0	M	R
	6	Gould	General Electric	300	110	10.0	M	R
	7	Gould	General Electric	300	110	10.0	M	R
	8	Gould	General Electric	150	110	5.0	M	R
9	Gould	General Electric	150	110	5.0	M	R	
				<u>2,700</u>		<u>60.0</u>		
HILLCREST (5,602) (Low Pressure)	1	Allis Chalmers	Allis Chalmers	50	169	1.0	M	R
	2	Allis Chalmers	Allis Chalmers	100	167	2.0	M	R
	3	DeLaval	Electric Machinery	200	163	5.0	M	R
	4	DeLaval	Electric Machinery	400	163	11.0	M	R
	5	DeLaval	Electric Machinery	400	163	11.0	M	R
	6	Worthington	Fairbanks Morse	400	163	11.0	M	R
	7	Worthington	Fairbanks Morse	400	163	11.0	M	R
				<u>1,950</u>		<u>52.0</u>		
HILLCREST (5,602) (High Pressure)	9	Gould	US Motor	1,500	330	20.0	M	R
	10	DeLaval	Electric Machinery	350	313	4.8	M	R
	11	DeLaval	Electric Machinery	800	315	10.5	M	R
	12	DeLaval	Electric Machinery	800	315	10.5	M	R
	13	Patterson	Ideal Electric	900	320	10.0	M	R
				<u>4,350</u>		<u>55.8</u>		
KENDRICK (5,607) (Low Pressure)	1	Patterson	Ideal Electric	300	120	10.0	M	R
	2	DeLaval	General Electric	300	117	10.0	M	R
	3	Worthington	General Electric	75	119	2.9	M	R
	4	Worthington	General Electric	75	119	2.9	M	R
	5	Worthington	General Electric	75	119	2.9	M	R
				<u>825</u>		<u>28.7</u>		

<sup>1</sup>M=Manual, R=Remote, L=Local

(Continued next page)

PUMPING STATION CAPACITIES - 2006  
Center of pump U.S.G.S. elevation in parentheses

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Pump Station/Elevation	Pump Number	Make of Pump	Make of Motor	Horse-power	Head in Feet	Capacity in MGD	Method of Operation <sup>1</sup>
KENDRICK (5,607) (High Pressure)	7	Worthington	Electric Machinery	800	260	10.0	M R
	8	Worthington	Electric Machinery	800	260	10.0	M R
	9	Goulds	Waukesha <sup>3</sup>	700	260	10.0	M R
	10	DeLaval	Waukesha <sup>3</sup>	400	260	5.0	M R
	11	Patterson	Ideal Electric	700	260	10.0	M R
				<u>3,400</u>		<u>45.0</u>	
LAKERIDGE (5,516)	1	American	United States	50	120	1.7	M R
	2	Pacific	Ideal Electric	75	120	2.9	M R
	3	Pacific	Ideal Electric	75	120	2.9	M R
	4	Allis Chalmers	Allis Chalmers	50	120	2.0	M R
				<u>250</u>		<u>9.5</u>	
LAMAR (5,443) <sup>2</sup>	1	Worthington	Marathon Electric	100	120	2.9	M R
	2	Worthington	Marathon Electric	100	120	2.9	M R
	3	Worthington	Fairbanks Morse	75	120	2.0	M R
				<u>275</u>		<u>7.8</u>	
LONE TREE (5,904) (Low Pressure)	3	Gould	Siemens & Allis	300	127	10.0	M R
	4	Gould	Siemens & Allis	150	127	5.0	M R
	5	Gould	Siemens & Allis	150	127	5.0	M R
				<u>600</u>		<u>20.0</u>	
LONE TREE (5,904) (High Pressure)	6	Gould	Siemens & Allis	300	227	5.0	M R
	7	Gould	Siemens & Allis	600	227	10.0	M R
	8	Gould	Siemens & Allis	600	227	10.0	M R
				<u>1,500</u>		<u>25.0</u>	
MARSTON (5,485) (Low Pressure)	1	Worthington	Waukesha <sup>3</sup>	700	166	20.0	M R
	2	Worthington	General Electric	700	166	20.0	M R
	3	Worthington	General Electric	700	166	20.0	M R
	4	Worthington	General Electric	700	166	20.0	M R
	5	Worthington	General Electric	700	166	20.0	M R
				<u>3,500</u>		<u>100.0</u>	
MARSTON (5,485) (High Pressure)	8	Patterson	Waukesha <sup>3</sup>	400	260	6.5	M R
	9	Ingersoll-Rand	Reliance Electric	500	260	8.0	M R
	10	Gould	US Motor	900	260	15.0	M R
	11	Gould	US Motor	900	260	15.0	M R
				<u>2,700</u>		<u>44.5</u>	
SIXTY-FOURTH AVENUE (5,427) (Low Pressure)	3	Fairbanks Morse	United States	100	90	5.0	M R
	6	Fairbanks Morse	United States	200	90	10.0	M R
				<u>300</u>		<u>15.0</u>	
SIXTY-FOURTH AVENUE (5,427) (High Pressure)	1	Fairbanks Morse	United States	400	170	10.0	M R
			Grand Total	<u>54,800</u>		<u>1,096.3</u>	

Note: City Datum = 5,172.91

<sup>1</sup>M=Manual, R=Remote, L=Local

<sup>2</sup>Vault Type Structure (underground)

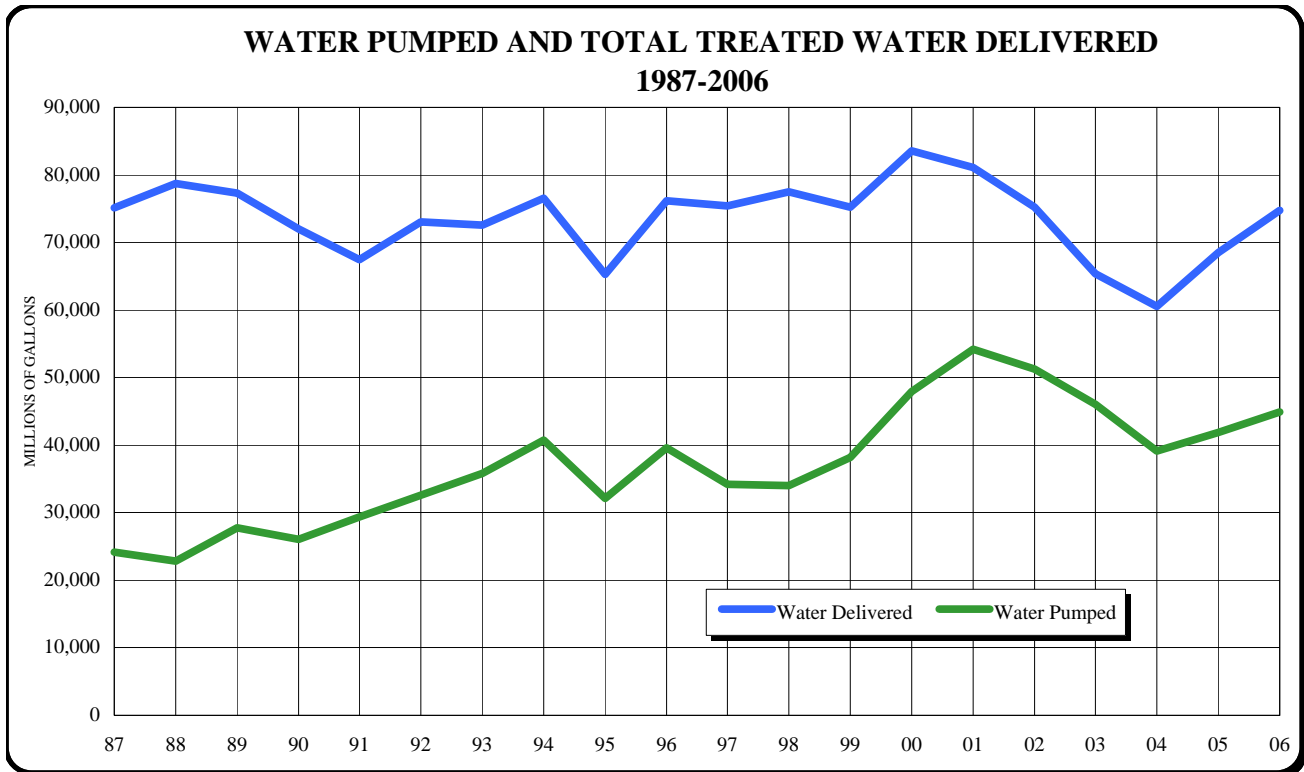
<sup>3</sup>Natural Gas Engine

WATER PUMPED AND POWER COSTS: 1987 - 2006

Year	Water Pumped (million gals.)	Total Treated Water Delivered (million gals.)	Pumps		Total Pumping Power Used (kwh)	Gas Used (dth)	Total Power, Electric and Gas Costs <sup>1</sup>
			Number	Capacity (million gals.)			
1987	24,158.20	75,162.49	127	1,201.8	28,220,134	-	\$1,818,839
1988	22,870.50	78,718.55	118	1,156.8	23,762,950	-	\$1,572,461
1989 <sup>2</sup>	27,724.95	77,262.29	118	1,156.8	27,181,894	-	\$1,859,268
1990 <sup>2</sup>	26,089.81	72,043.94	113	1,091.8	27,734,829	-	\$1,814,124
1991	29,349.37	67,435.91	113	1,091.8	27,167,261	-	\$1,778,200
1992	32,613.51	73,043.27	113	1,091.8	29,349,535	-	\$1,782,578
1993	35,826.13	72,562.61	113	1,091.8	31,537,298	-	\$1,800,790
1994	40,720.24	76,516.08	116	1,116.8	36,619,984	-	\$1,949,520
1995	32,115.03	65,267.91	116	1,116.8	30,722,542	-	\$1,783,567
1996	39,578.30	76,203.96	105	1,027.5	40,222,555	-	\$2,638,872
1997	34,179.67	75,363.33	105	1,027.5	31,876,334	23,055	\$1,997,924
1998	33,990.21	77,466.65	105	1,027.5	30,170,882	38,331	\$1,881,873
1999	38,149.92	75,232.01	106	1,052.5	33,378,202	18,927	\$1,915,984
2000	47,953.92	83,585.25	106	1,052.5	39,257,987	20,159	\$2,166,806
2001	54,161.28	81,051.42	106	1,052.5	42,691,836	15,096	\$2,774,857
2002	51,205.33	75,221.18	109	1,070.6	46,058,108	7,217	\$1,986,429
2003	46,030.79	65,399.47	110	1,077.1	33,489,508	1,858	\$2,322,558
2004	39,105.07	60,578.77	110	1,077.1	35,898,176	-	\$2,820,144
2005	41,890.71	68,473.70	110	1,096.3	38,384,576	-	\$3,686,475
2006	44,937.60	74,724.98	110	1,096.3	44,823,999	-	\$3,247,213

<sup>1</sup>Total energy costs for all Denver metropolitan area Board water distribution facilities.

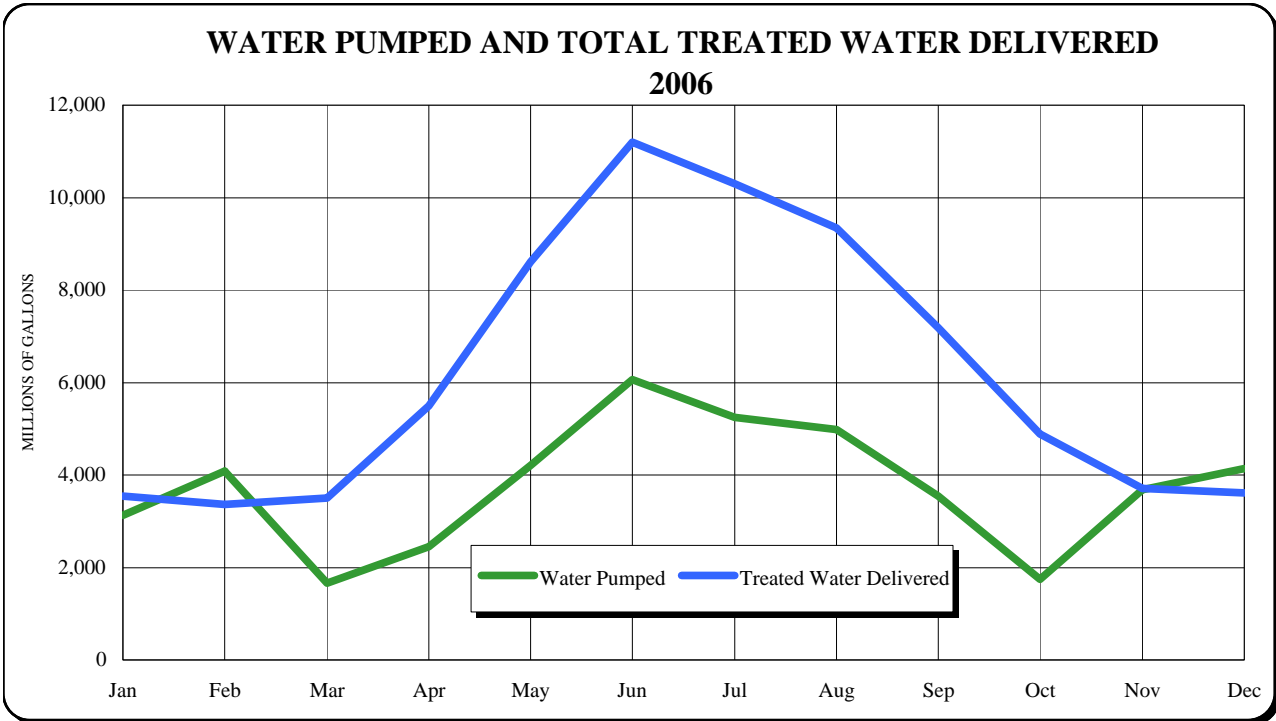
<sup>2</sup>Foothills Treatment Plant out of service from October 16, 1989 through March 2, 1990.



## WATER PUMPED MONTHLY - 2006

(millions of gallons)

	<u>Water Pumped</u>	<u>Total Treated Water Delivered</u>		<u>Water Pumped</u>	<u>Total Treated Water Delivered</u>
January	3,121.86	3,546.01	August	4,978.42	9,336.91
February	4,089.41	3,359.29	September	3,548.70	7,183.92
March	1,656.00	3,502.10	October	1,748.83	4,879.90
April	2,456.59	5,493.05	November	3,679.96	3,705.18
May	4,204.94	8,609.95	December	4,135.33	3,607.07
June	6,067.73	11,202.55			
July	5,249.83	10,299.05	Total Year	<u>44,937.60</u>	<u>74,724.98</u>



## WATER PUMPED BY STATION - 2005

(millions of gallons)

Belleview (Low)	1,492.31	Hillcrest (High)	752.41
Belleview (High)	3,354.262	Kendrick (Low)	869.42
Broomfield	1,545.65	Kendrick (High)	2,033.15
Capital Hill	0.00	Lakeridge	790.88
Chatfield (Low)	1,516.15	Lamar	1,049.56
Chatfield (High)	783.924	Lone Tree (Low)	489.01
Cherry Hills	2,962.33	Lone Tree (High)	823.09
Clarkson Street	615.07	Marston (Low)	4,423.08
Einfeldt	1,303.08	Marston (High)	3,794.78
Fifty-Sixth Avenue	2,253.69	Sixty-Fourth Ave. (High)	1,086.12
Green Mountain	1,741.26	Sixty-Fourth Ave. (Low)	22.19
Highlands (Low)	2,804.00		
Highlands (High)	6,531.51	Total	<u>44,937.60</u>
Hillcrest (Low)	1,900.69		

DISTRIBUTING RESERVOIRS AND RAW WATER PUMPING STATIONS - 2006  
 High water U.S.G.S. elevation in parentheses

	Capacity (million gals.)		Capacity (million gals.)
Alameda & Beech (6,042) <sup>1</sup>		Hillcrest (5,624)	
Number 1	1.0	Number 1	14.8
Number 2	2.0	Number 2	14.8
	<u>3.0</u>		<u>29.6</u>
Ashland (5,430)		Hogback (6,007)	3.95
East Basin	19.1	KenCaryl Ranch (6,410) <sup>1</sup>	
West Basin	21.9	Number 3	2.0
	<u>41.0</u>	Number 4	2.0
Bellevue (5,743)	<u>10.0</u>		<u>4.0</u>
Broomfield (5,335)		Kendrick (5,627)	<u>15.0</u>
Number 1	2.5	Lone Tree (5,930)	<u>10.0</u>
Number 2	2.5		
	<u>5.0</u>	Marston Treatment (5,497)	
Broomfield Tank (5,534) <sup>1</sup>		Number 3	6.8
Number 1	3.0	Number 4	9.2
Number 2	3.0		<u>16.0</u>
	<u>6.0</u>	Moffat Treatment (5,620)	
Capitol Hill (5,395)		Number 1	4.3
Number 1	23.4	Number 2	4.3
Number 3	27.0	Number 3	5.0
	<u>50.4</u>	Number 4	4.4
Chatfield Tank (5,740)			<u>18.0</u>
Number 1	5.0	Sixty-Fourth Avenue (5,460)	<u>15.0</u>
Number 2	5.0	Southgate (6,123) <sup>1</sup>	
	<u>10.0</u>	Number 1	2.0
Colorow (6007)	<u>3.7</u>	Number 2	6.0
			<u>8.0</u>
Fifty-Sixth Avenue (5,223)	<u>15.0</u>	Utah Tank (6,042) <sup>1</sup>	<u>3.0</u>
Foothills (5,860)		Valley Tank (6,000) <sup>1</sup>	<u>2.0</u>
Number 1	25.0	Total Capacity	<u>368.65</u>
Number 2	25.0		
Number 3	25.0		
	<u>75.0</u>		
Green Mountain (5,859)	<u>5.0</u>		
Highlands (5,722)			
Number 1	3.3		
Number 2	3.2		
Number 3	13.5		
	<u>20.0</u>		

<sup>1</sup>Not Owned by Denver Water.

RAW WATER PUMPING STATIONS

Pump Station	Pump Number	Make of Pump	Make of Motor	Horse-Power	Head in Feet	Capacity in MGD
Last Chance	1	Worthington	General Electric	30	60	2.2
Metro Sewer	1	Peerless	United States	200	30	30.0
	2	Peerless	General Electric	200	30	30.0
	3	Peerless	General Electric	200	30	30.0
				<u>600</u>	<u>90</u>	<u>90.0</u>
			Total	<u>630</u>	<u>150</u>	<u>92.2</u>

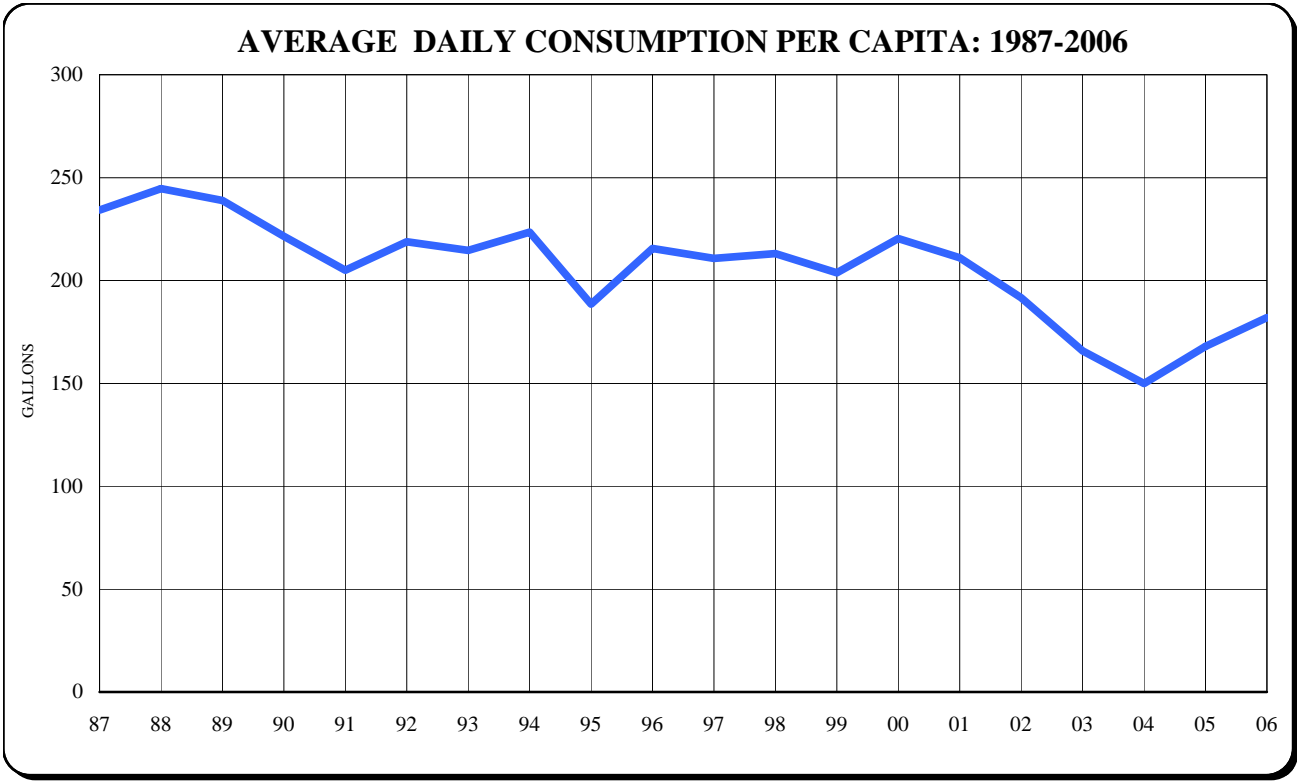
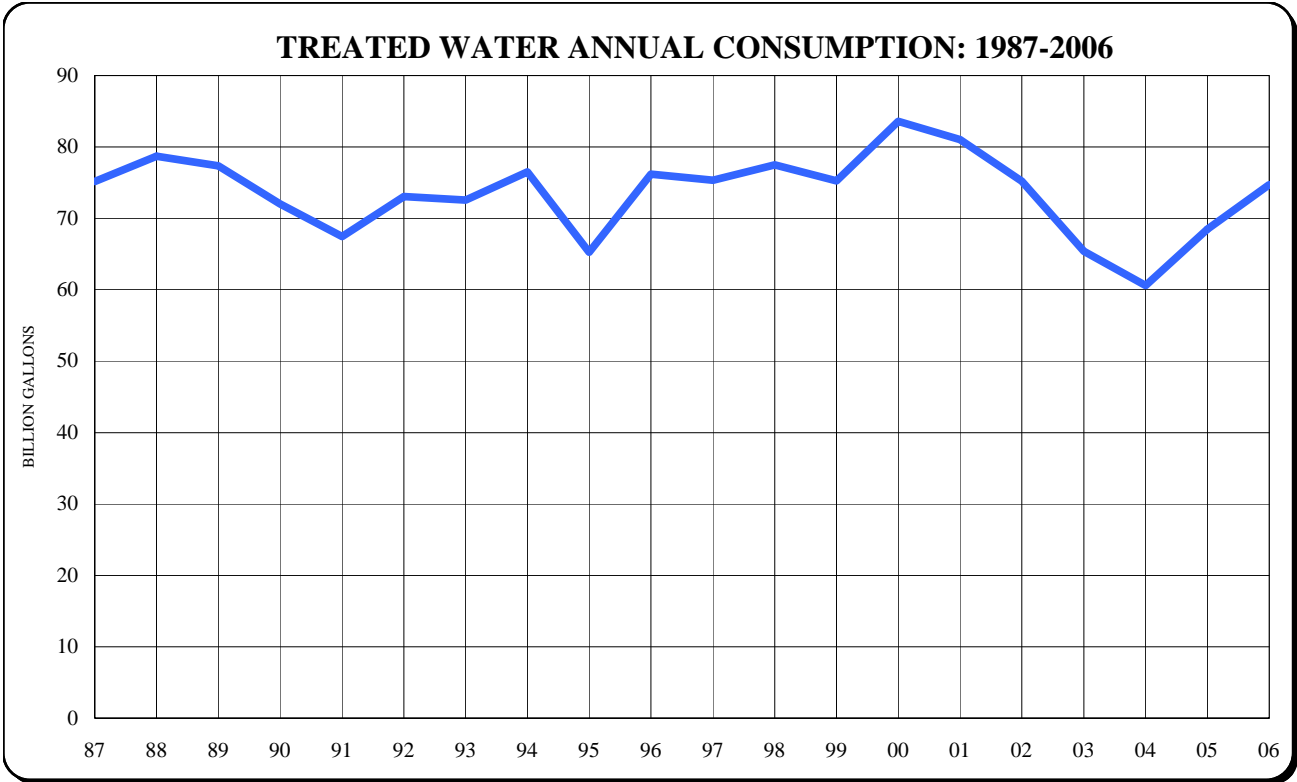
# Treatment and Water Quality

## 2006 Facts

Treated water consumption.....	74,724.98 MG
Increase from 2004.....	6,251.28 MG
Average daily consumption.....	204.73 MG
Maximum daily consumption: (June 14).....	425.68 MG
Maximum hour treated water use rate: (June 14, at 9:00 p.m.).....	671.04 MGD
Water Quality:	
Total samples collected.....	13,095
Microbiological analyses completed.....	9,226
Chemical analyses completed.....	36,025



CONSUMPTION OF TREATED WATER - 20 YEAR GRAPHS: 1987 - 2006



CONSUMPTION OF TREATED WATER: 1987 - 2006

Year	Acre-Feet	(million gallons)			Population July 1 <sup>1</sup>	Avg. Daily Gals. Per Capita	Precipitation in Inches <sup>2</sup>	
		Annual	Daily Avg.	Daily Max.			Year	4/1 to 9/30
1987	230,665	75,162.49	205.92	518.55	879,000	234	22.45	13.39
1988	241,578	78,718.55	215.08	477.65	879,000	245	15.28	11.48
1989	237,342	77,338.15	211.89	553.29	887,000	239	16.08	12.15
1990	221,095	72,043.94	197.38	507.12	891,000	222	16.64	9.95
1991	206,953	67,435.91	184.76	414.79	900,000 <sup>3</sup>	205	19.69	14.50
1992	224,162	73,043.27	199.57	414.11	912,000	219	15.94	8.42
1993	222,686	72,562.61	198.80	438.20	926,000	215	15.81	9.62
1994	234,819	76,516.08	209.63	479.01	938,000	223	14.35	8.72
1995	200,300	65,267.91	178.82	453.55	949,000	188	19.61	16.40
1996	233,861	76,203.96	208.21	456.99	966,000	216	14.81	10.96
1997	231,282	75,363.33	206.47	517.57	980,000	211	20.38	14.46
1998	237,764	77,475.48	212.26	512.53	996,000	213	17.61	12.77
1999	230,879	75,232.01	206.12	475.66	1,012,000	204	20.03	17.04
2000	256,514	83,585.25	228.38	478.19	1,036,000	220	14.87	11.07
2001	248,748	81,054.72	222.07	488.71	1,052,000	211	16.45	12.43
2002	230,845	75,221.18	206.09	419.20	1,076,000	192	9.95	6.59
2003	200,704	65,399.47	179.18	370.05	1,081,000	166	17.00	8.77
2004	185,909	60,578.77	165.52	340.92	1,104,000	150	21.35	16.06
2005	210,138	68,473.70	187.60	424.80	1,115,000	168	16.32	10.90
2006	229,323	74,724.98	204.73	425.68	1,124,000	182	16.15	8.66

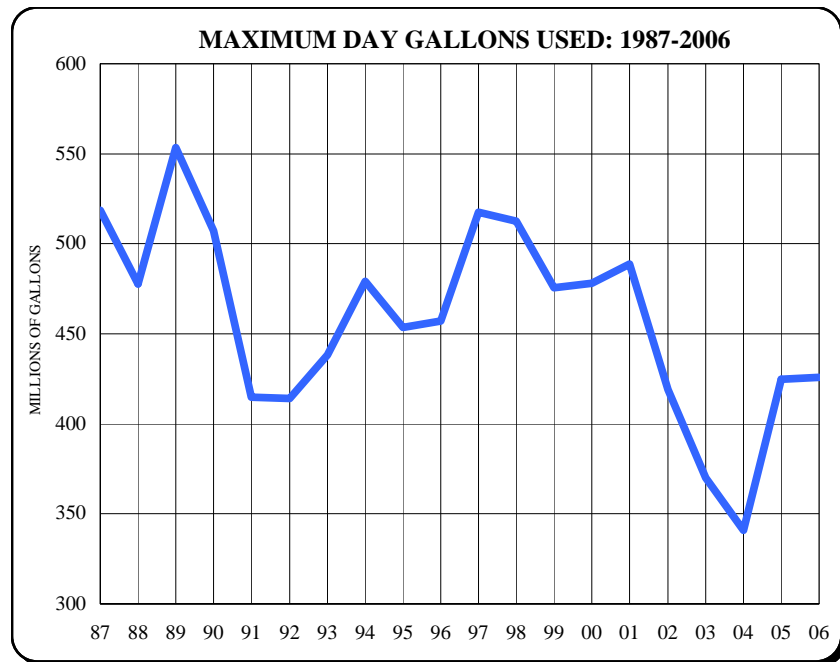
<sup>1</sup>Population estimates are treated water customers only.

<sup>2</sup>Precipitation readings are the averages of Stapleton, Lakewood and Kassler measurement stations.

<sup>3</sup>Revised data from 1991 to 2000 are interpolated from analysis of the 2000 Census and adjusted for tap growth.

TREATMENT PLANT CAPACITY

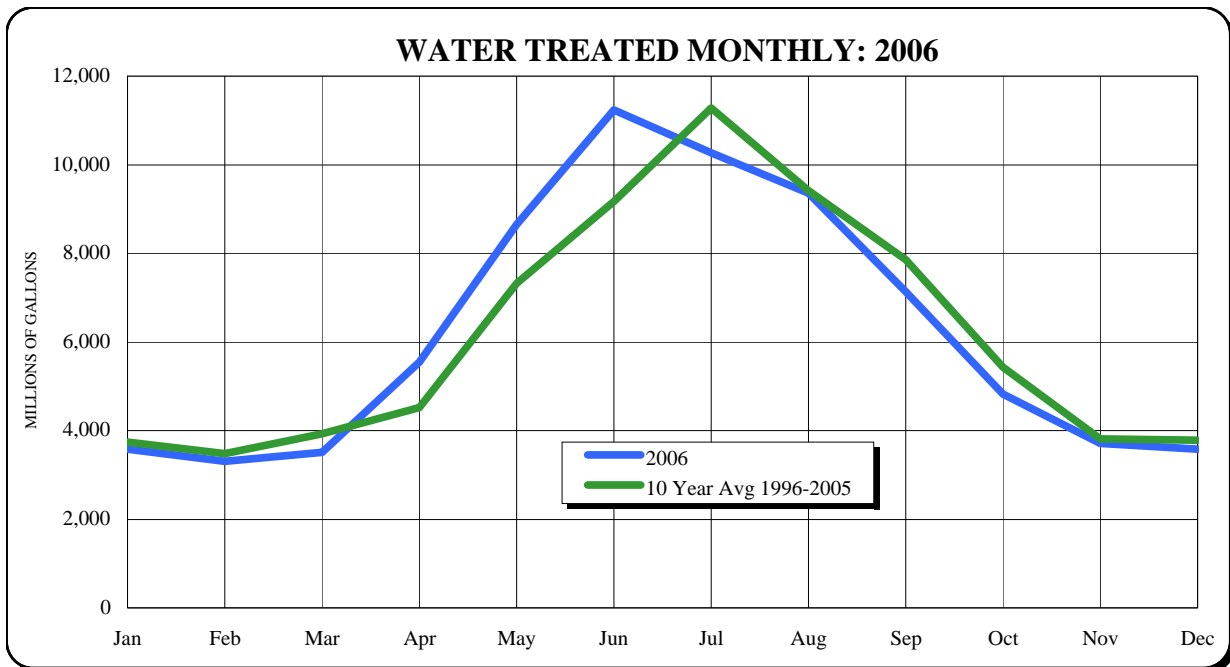
Plant	Type	Capacity in MGD
Foothills	Dual-Media	280.0
Marston	Dual-Media	250.0
Moffat	Rapid Sand	185.0
		<u>715.0</u>



**WATER TREATED MONTHLY - 2006**  
(millions of gallons)

	<u>Foothills Filters</u>	<u>Marston Filters</u>	<u>Moffat Filters</u>	<u>Total</u>
January	1901.90	943.70	742.30	3,587.90
February	295.00	1555.50	1459.90	3,310.40
March	2469.40	101.80	936.50	3,507.70
April	3974.00	80.60	1490.70	5,545.30
May	5579.07	978.12	2091.97	8,649.16
June	7147.35	1343.96	2741.11	11,232.42
July	6403.80	1081.36	2784.92	10,270.08
August	5978.36	978.02	2403.26	9,359.64
September	4914.00	477.19	1746.14	7,137.33
October	3618.80	-	1209.80	4,828.60
November	1062.10	1776.30	868.80	3,707.20
December	898.40	1968.60	719.50	3,586.50
<b>Total</b>	<u><u>44,242.18</u></u>	<u><u>11,285.15</u></u>	<u><u>19,194.90</u></u>	<u><u>74,722.23</u></u>

Note: Totals are based on multiple totalizer meter readings at various treatment plant sites. The accuracy of the readings varies within the limits inherent to each water meter.



RECONCILIATION OF WATER TREATED TO WATER DELIVERED/CONSUMED:

Total Water Treated for the Year	74,722.23 MG
(Increase) Decrease In Clear Water Storage	2.75 MG
Total Treated Water Delivered/Consumed for the Year	<u><u>74,724.98 MG</u></u>

CHEMICAL TREATMENT AND ANALYSIS  
TREATED WATER IN DISTRIBUTION SYSTEM - 2006

CHEMICAL TREATMENT

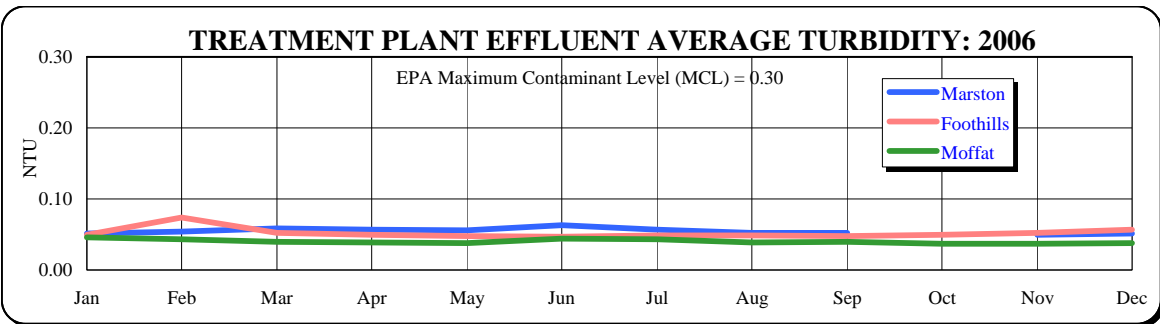
Chemicals are used at various points throughout the treatment plants to provide for appropriate water treatment including oxidation, coagulation, pH adjustment, fluoridation and disinfection. The following are total pounds and cost of chemicals used at each treatment plant.

	Pounds of Chemicals Used	Total Cost
Foothills	23,742,847	\$ 2,375,105
Moffat	16,589,957	1,508,551
Marston	5,792,978	654,250
Recycling	2,054,068	304,679
	48,179,850	\$ 4,842,585

DISTRIBUTION SYSTEM & TREATMENT PLANT EFFLUENT TOTAL COLIFORM RESULTS

Month	Number of Samples	Number of Positives	% Positive
January	489	0	0.00%
February	378	1	0.26%
March	493	0	0.00%
April	421	0	0.00%
May	506	0	0.00%
June	519	0	0.00%
July	455	0	0.00%
August	516	0	0.00%
September	469	0	0.00%
October	492	0	0.00%
November	414	0	0.00%
December	361	0	0.00%
	5,513	1	0.02%

The total coliform group of bacteria is a microbiological indicator used to determine the safety of drinking water for human consumption. The EPA and the Colorado Department of Public Health and Environment require that Denver Water test a minimum of 300 treated water samples each month for total coliforms. The Maximum Contaminant Level (MCL) for total coliform specifies that no more than 5% of the samples taken each month may be positive. All positive samples were further analyzed to determine if E. coli bacteria were present, which would indicate possible contamination from a fecal source. There were no E. coli positive samples in 2005.



Turbidity is a measure of the clarity of the water. EPA has established 0.30 NTU (Nephelometric Turbidity Unit) as the MCL for turbidity.

TREATED WATER QUALITY SUMMARY:  
TREATMENT PLANT EFFLUENT AVERAGES – 2006

<u>Analysis</u>	<u>Maximum Contaminant Level (MCL)</u>	<u>Marston</u>	<u>Foothills</u>	<u>Moffat</u>
<b>General (mg/L)</b>				
Alkalinity, Total as CaCO <sub>3</sub>		59	55	23
Chlorine, Total		1.38	1.36	1.44
Hardness as CaCO <sub>3</sub>		104	96	36
pH (SU)		7.59	7.81	7.72
Specific Conductance (µS)		321	304	122
Temperature (°C)		13	13	12
Total Dissolved Solids		179	171	69
Turbidity (NTU)	0.30	0.05	0.05	0.04
<b>Metals (µg/L)</b>				
Aluminum		30	40	<20
Barium	2000	38	38	17
Boron		15	13	4
Calcium (mg/L)		33	29	13
Copper	TT <sup>1</sup>	<6	<6	<6
Magnesium (mg/L)		7.7	7.5	2.0
Manganese		3	<2	<2
Molybdenum		23	18	<3
Nickel		0.9	<0.8	<0.8
Potassium (mg/L)		2.3	2.0	0.7
Sodium (mg/L)		19.3	19.0	7.0
Strontium (mg/L)		0.23	0.20	0.04
<b>Ions (mg/L)</b>				
Bromide		<0.02	0.02	0.02
Chloride		19.5	18.4	3.3
Fluoride	4.0	0.89	0.87	0.90
Nitrate-Nitrogen	10	0.12	0.13	0.08
Silicon		2.2	3.0	2.8
Sulfate		60.6	54.4	23.3
<b>Radiological (pCi/L)</b>				
Beta, Total	Trigger Level = 15 pCi/L	<2	<2	<2
Uranium (µg/L)	30	<0.3	<0.3	<0.3
<b>Microbiological</b>				
m-Heterotrophic Plate Count (CFU/mL)		0.05	0.29	0.40

(Continued next page)

<sup>1</sup> TT indicates that the MCL involves treatment techniques.

TREATED WATER QUALITY SUMMARY:  
TREATMENT PLANT EFFLUENT AVERAGES - 2006 (Continued)

<u>Analysis</u>	<u>Maximum Contaminant Level (MCL)</u>	<u>Marston</u>	<u>Foothills</u>	<u>Moffat</u>
<b>Disinfection By-Products (µg/L)</b>				
1,1,1-Trichloropropanone		2.0	1.6	1.2
1,1-Dichloropropanone		0.8	0.7	0.6
Bromochloroacetic acid		2.7	2.6	<0.5
Bromochloroacetonitrile		1.2	0.9	<0.2
Bromodichloromethane		7.0	8.0	1.1
Chloral hydrate		1.3	2.0	0.9
Chloroform		10.3	20.1	11.3
Cyanogen chloride		1.0	3.0	1.0
Dibromoacetic acid		0.9	<0.5	<0.5
Dibromoacetonitrile		0.4	<0.4	<0.4
Dibromochloromethane		3.0	1.5	<0.5
Dichloroacetic acid		5.9	10.7	7.2
Dichloroacetonitrile		1.8	2.4	1.3
Haloacetic Acids (5)	60	11	21	13
Total Trihalomethanes	80	20	30	12
Trichloroacetic acid		3.8	10.2	5.4
<b>Nonspecific Organics</b>				
Total Organic Carbon (mg/L)		1.9	1.7	1.3

TREATED WATER QUALITY SUMMARY:  
TREATMENT PLANT EFFLUENT AVERAGES - 2006 (Continued)

The following analyses were performed and each of these constituents was either not detected or the average result was less than the limit of detection. The Maximum Contaminant Level is listed after the analysis in parentheses, if applicable. The unit of measure is also listed if different than that listed for the subsection.

<b>General</b>	1,4-Dioxane	n-Propyl Benzene	Dichlobenil
Alkalinity, Phenolphthalein as CaCO <sub>3</sub>	1-Methylnaphthalene	o-Chlorotoluene	Dichlofenthion
Chlorine, Free	2-Methylnaphthalene	o-Dichlorobenzene (600)	Dichloran
<b>Metals (mg/L)</b>	2,2-Dichloropropane	p-Chlorotoluene	Dicrotophos
Antimony (0.006)	2,3-Dichlorobiphenyl	p-Dichlorobenzene (78.5)	Dieldrin
Arsenic (0.05)	2-Butanone	p-Isopropyl Toluene	Diethyl ether
Beryllium (0.004)	2-Chlorobiphenyl	sec-Butyl Benzene	Dimethoate
Cadmium (0.005)	2-Chlorophenol	Styrene (100)	Dinoseb
Chromium (0.1)	2-Hexanone	tert-Butyl Benzene	Dioxathion
Cobalt	2-Methyl-4,6-dinitrophenol	Tetrachloroethene (5)	Disulfoton
Copper (TT <sup>1</sup> )	2-Methylphenol	Toluene (1000)	Disulfoton sulfone
Iron	2-Nitrophenol	Toxaphene	Disulfoton sulfoxide
Lead (TT <sup>1</sup> )	2-Nitropropane	trans-1,2-Dichloroethene (100)	Diphenamid
Lithium	2,4-Dichlorophenol	trans-1,3-Dichloropropene	Diquat
Mercury, Total (0.002)	2,4-Dimethylphenol	Trichloroethene	Dursban
Selenium (0.05)	2,4-Dinitrophenol	Trichloroethylene (5)	Endothall (100)
Silver	2,4,5-Trichlorobiphenyl	Trichlorofluoromethane	Endosulfan –A
Thallium (0.002)	2,4,6-Trichlorophenol	Vinyl Chloride (2)	Endosulfan – B
Titanium	4-Methyl-2-Pentanone	Xylenes (10000)	Endosulfan sulfate
Vanadium	4-Chloro-3-methylphenol	1,2-Dibromo-3-chloropropane (0.2)	Endrin (2)
Zinc	4-Nitrophenol	2,4,5-T	Endrin Aldehyde
<b>Ions (mg/L)</b>	Acenaphthene	2,4-D (70)	Epichlorohydrin
Carbonate	Acetone	2,4-DB	EPN
Cyanide, Total	Acrylonitrile	3,5-Dichlorobenzoic acid	EPTC
Hydroxide	Aldrin	3-Hydroxycarbofuran	Erucylamide
Nitrite-Nitrogen (1)	Allyl chloride	4,4'-DDD	Esfenvalerate
Ortho Phosphorus, Dissolved	Anilazine	4,4'-DDE	Ethalfuralin
Perchlorate	Aspon	4,4'-DDT	Ethion
<b>Radiological (pCi/L)</b>	Bendiocarb	α-BHC	Ethofumasate
Radium-226, 228	Benfluralin	Acetochlor	Ethoprop
<b>Microbiological</b>	Benzene (5)	Acifluorfen	Ethyl acrylate
<i>Cryptosporidium</i>	Bolstar	Alachlor (2)	Ethyl methacrylate
<i>Giardia</i> (TT <sup>1</sup> )	Bromobenzene	Aldicarb	Ethyl tert-butyl ether
Plankton	Bromochloromethane	Aldicarb sulfoxide	Ethylene dibromide
Total Coliform (DS)	Bromomethane	Aldicarb sulfone	Etridiazole
<b>Disinfection By-Products (µg/L)</b>	Carbon disulfide	Atraton	Famphur
Bromodichloroacetic Acid	Carbophenothion	Atrazine (3)	Fenamiphos
Bromoform	Carboxin	Bentazon	Fenarimol
Carbon tetrachloride (5)	Chloramben	β-BHC	Fenitrothion
Chlorodibromoacetic acid	Chlorfenvinphos	Bromacil	Fensulfothion
Dibromoacetone	Chloroacetonitrile	Butachlor	Fenthion
Monobromoacetic Acid	Chlorobenzene (100)	Butylate	Fluchloralin
Monochloroacetic Acid	Chloroethane	Carbaryl	Fluometuron
n-Nitrosodimethylamine (NDMA)	Chloromethane	Carbofuran	Fluridone
Trichloroacetone	Chloropicrin	Chlordane	Fonofos
<b>Organic Compounds (µg/L)</b>	Chloroprene	Chlorneb	Heptachlor (0.4)
1,1,1,2-Tetrachloroethane	Chloropropylate	Chlorobenzilate	Heptachlor Epoxide (0.2)
1,1,1-Trichloroethane (200)	Clomazone	Chlorothalonil	Hexachloroethane
1,1,2,2-Tetrachloroethane	Clopyralid	Chlorpropham	Hexazinone
1,1,2-Trichloroethane (5)	cis-1,2-Dichloroethene (70)	Cis-Permethrin	Iprodione
1,1-Dichloroethane	cis-1,3-Dichloropropene	Coumaphos	Isofenphos
1,1-Dichloroethene (7)	Dibromomethane	Crotoxyphos	Leptophos
1,1-Dichloropropene	Dichlorodifluoromethane	Cyanazine	Lindane
1-Chlorobutane	Dichloromethane (5)	Cycloate	Malathion
1,2,3-Trichlorobenzene	Ethyl Benzene (700)	Dacthal	Metaxyl
1,2,3-Trichloropropane	Hexachlorobutadiene	Dalapon (200)	Methacrylonitrile
1,2,3-Trimethylbenzene	Hexachlorocyclopentadiene	DCPA acid metabolites	Methylacrylate
1,2,4-Trichlorobenzene (70)	Isopropyl Benzene	δ-BHC	Methylmethacrylate
1,2,4-Trimethylbenzene	m-Dichlorobenzene	Demeton O	Methiocarb
1,2,4,5-Tetrachlorobenzene	Methyl parathion	Demeton S	Methomyl
1,2-Dichloroethane (5)	Methyl tert-butylether	Diazinon	Methoxychlor
1,2-Dichloropropane (5)	Naphthalene	Dicamba	Methyl paraoxon
1,3,5-Trimethylbenzene	n-Butyl Benzene	Dichlorprop	Metolachlor
1,3-Dichloropropane	Nitrobenzene	Dichlorvos	Metribuzin

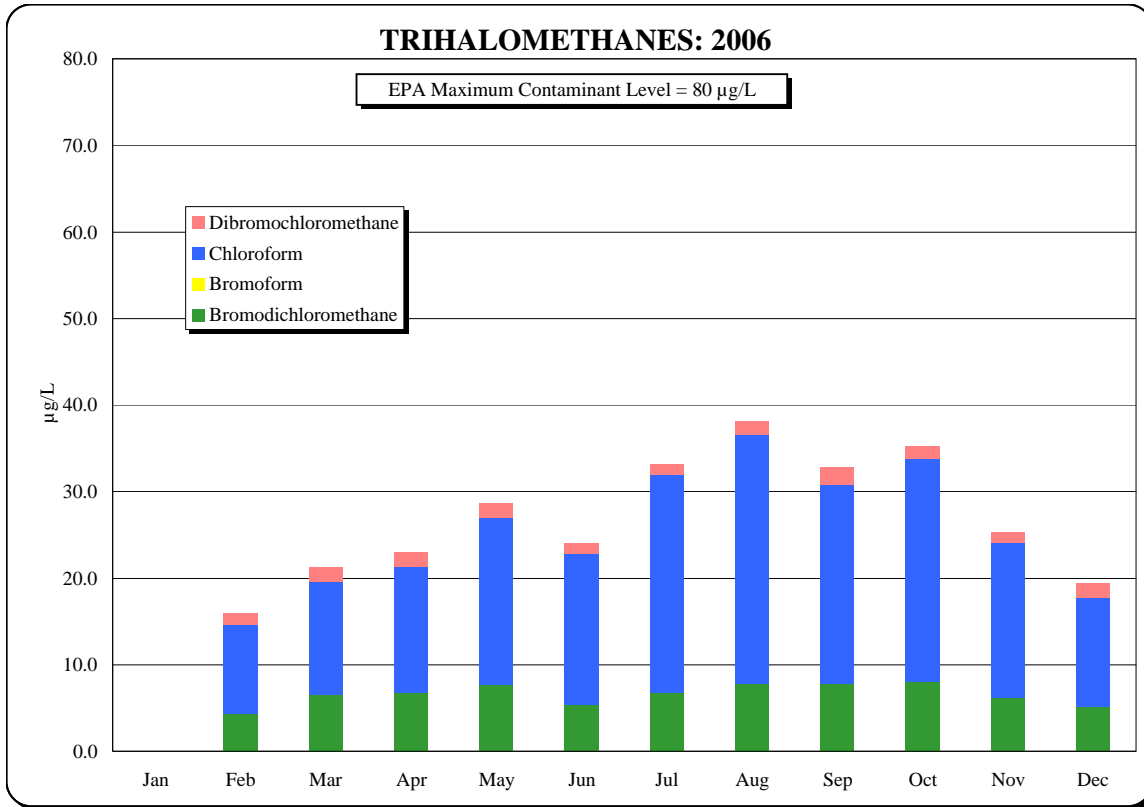
<sup>1</sup> TT indicates that the MCL involves treatment techniques.

TREATED WATER QUALITY SUMMARY:  
TREATMENT PLANT EFFLUENT AVERAGES - 2006 (Continued)

Mevinphos	Prometryn	Thionazin	Bis(2-ethylhexyl)adipate (400)
Mirex	Pronamide	trans-Permethrin	Bis(2-ethylhexyl)phthalate
Molinate	Propanil	Triademefon	Butyl benzyl phthalate
Monocrotophos	Propachlor	Tribufos	Chrysene
Naled	Propazine	Trichloronate	Dibenzo(a,h)anthracene
Napropamide	Propionitrile	Triclopyr	Diethyl phthalate
Norflurazon	Propoxur	Tricyclazole	Dimethyl phthalate
n-Butyl acrylate	Prothiophos	Trifluralin	Di-n-butyl phthalate
Oryzalin	Silvex (50)	Vernolate	Di-n-octyl phthalate
Oxadiazon	Simazine (4)	Vinclozolin	Fluoranthene
Oxamyl (200)	Simetryn	Vinyl acetate	Fluorene
Oxyfluorfen	Stirofos	2,4-Dinitrotoluene	Hexachlorobenzene (1)
Paraquat	Sulfotep	2,6-Dinitrotoluene	Indeno(1,2,3-cd)pyrene
Parathion	TEPP	Acenaphthylene	Isophorone
Pendimethalin	Terbufos	Ametryn	Pentachlorobenzene
Phenol	Terbacil	Anthracene	Pentachlorophenol (1)
Phorate	Terbutiuron	Benzo(a)anthracene	Phenanthrene
Phosmet	Terbutryn	Benzo(a)pyrene (0.2)	Polychlorinated Biphenyls (0.5)
Picloram	Tetrahydrofuran	Benzo(b)fluoranthene	Pyrene
Profluralin	Thiabendazole	Benzo(g,h,i)perylene	
Prometon	Thiobencarb	Benzo(k)fluoranthene	



DISTRIBUTION SYSTEM AVERAGE TRIHALOMETHANES - 2006



Trihalomethanes (THMs) are organic compounds formed when chlorine disinfectant is added to the water. The use of chlorine and other chlorine-based disinfectant compounds is mandated by health regulatory agencies to eliminate microbiological contaminants from drinking water. The creation of THMs is a consequence of this necessary practice. THMs are comprised of four individual compounds. EPA has established 80 mg/L as the MCL for Total Trihalomethanes (the sum of the four individual compounds). The amounts present in the Denver distribution system are consistently below the 80 mg/L level. The THM results for January 2006 failed the Quality Control checks and were deleted.

WATER QUALITY SAMPLE COLLECTION AND ANALYTICAL PROCEDURES - 2006

Samples Collected:

Watershed	439
Treatment plant	944
Distribution system	8,527
Other	3,185
	<u>13,095</u>

Analyses Performed:

Microbiological	9,226
Chemical	36,025
	<u>45,251</u>

# Transmission and Distribution

## 2006 Facts

Miles of pipe installed .....	21.8
Miles of pipe in system .....	2,645
Miles of nonpotable pipe in system .....	32.6
Number of valves operated and maintained .....	44,599
Number of nonpotable valves in system .....	259
Number of hydrants operated and maintained .....	15,679
Leak Detection Program:	
Miles of pipe surveyed .....	781
Visible leaks pinpointed .....	53
Non-visible leaks detected .....	28

TRANSMISSION AND DISTRIBUTION MAINS - 2006

SUMMARY OF PIPE BY MATERIAL<sup>1</sup>

Kind of Pipe	Length in Feet				Length in Miles
	12-31-05	Additions	Reductions	12-31-06	12-31-06
Cast iron	6,002,819	-	32,999	5,969,820	1,131
Cement Asbestos	1,387,240	-	104	1,387,136	263
Cement Mortar coated steel	27,992	-	-	27,992	5
Concrete	858,506	-	48	858,458	162
Copper	1,141	-	-	1,141	0
Ductile iron	2,460,533	20,719	3,346	2,477,906	469
Galvanized	7,755	-	-	7,755	1
Polyvinyl chloride	1,668,145	91,708	1,939	1,757,914	333
Steel	1,022,228	-	48	1,022,180	194
Steel -tape coated	408,094	2,702	-	410,796	78
Unknown <sup>2</sup>	49,516	-	-	49,516	9
	<u>13,893,969</u>	<u>115,129</u>	<u>38,484</u>	<u>13,970,614</u>	<u>2,645</u>

SUMMARY OF PIPE BY DIAMETER<sup>1</sup>

Diameter of Pipe in Inches	Length in Feet				Length in Miles
	12-31-05	Additions	Reductions	12-31-06	12-31-06
0.75	413	-	-	413	-
1	778	-	-	778	-
1.5	2,019	-	-	2,019	-
2	3,128	-	-	3,128	1
3	8,498	34	-	8,532	2
4	137,100	3,689	1,271	139,518	26
5	11	-	-	11	-
6	4,229,676	24,270	24,930	4,229,016	801
8	3,540,794	54,158	5,105	3,589,847	680
10	132,467	13	7	132,473	25
12	2,713,504	30,047	6,737	2,736,814	518
14	44,293	-	178	44,115	8
15	4,499	-	-	4,499	1
16	452,780	118	63	452,835	86
18	49,854	4	7	49,851	9
20	118,805	-	-	118,805	23
24	448,140	4	-	448,144	85
30	436,075	138	138	436,075	83
31	29	-	-	29	-
33	185	-	-	185	-
36	499,876	2,606	-	502,482	95
40	57	-	-	57	-
42	233,242	-	-	233,242	44
45	4,638	-	-	4,638	1
46	23,272	-	-	23,272	4
48	133,515	48	48	133,515	25
51	6,514	-	-	6,514	1
54	172,084	-	-	172,084	33
57	12,858	-	-	12,858	2
60	175,812	-	-	175,812	33
63	16,779	-	-	16,779	3
66	77,647	-	-	77,647	15
67	692	-	-	692	-
72	111,987	-	-	111,987	21
84	16,656	-	-	16,656	3
90	32,635	-	-	32,635	6
96	50	-	-	50	-
108	48,687	-	-	48,687	9
120	3,102	-	-	3,102	1
144	818	-	-	818	-
	<u>13,893,969</u>	<u>115,129</u>	<u>38,484</u>	<u>13,970,614</u>	<u>2,645</u>

<sup>1</sup>Mains within the City and Total Service Contract Areas.

<sup>2</sup>Unknown pipe material is assumed to be cast iron.

## VALVES - 2006

### SUMMARY OF VALVES BY TYPE<sup>1</sup>

<u>Type of Valve</u>	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
Air vacuum valve	1,310	-	-	1,310
Ball valve	7	-	-	7
Blowoff valve	2,607	5	-	2,612
Butterfly valve	943	5	-	948
Check valve	21	2	-	23
Cone valve	19	-	-	19
Gate valve	37,557	1,170	-	38,727
Hub valve	5	-	-	5
MacDougall blowoff valve	138	4	-	142
Pito (Corp stop)	590	-	-	590
Pressure regulating valve	162	5	-	167
Unknown	25	19	-	44
Vacuum valve	5	-	-	5
	<u>43,389</u>	<u>1,210</u>	<u>-</u>	<u>44,599</u>

### SUMMARY OF VALVES BY DIAMETER<sup>1</sup>

<u>Diameter of Valve in Inches</u>	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
1	914	-	-	914
2	2,093	2	-	2,095
2.5	1	-	-	1
3	73	3	-	76
4	1,194	112	-	1,306
6	14,662	569	-	15,231
8	12,786	332	-	13,118
10	455	10	-	465
12	9,626	177	-	9,803
14	65	-	-	65
15	2	-	-	2
16	278	1	-	279
18	45	-	-	45
20	189	-	-	189
24	501	1	-	502
30	188	1	-	189
36	148	1	-	149
42	67	-	-	67
48	54	1	-	55
54	20	-	-	20
60	24	-	-	24
72	4	-	-	4
	<u>43,389</u>	<u>1,210</u>	<u>-</u>	<u>44,599</u>

<sup>1</sup>Valves within the City and Total Service Contract Areas.

FIRE HYDRANTS - 2006

FIRE HYDRANTS<sup>1</sup>

<u>Size in Inches</u>	<u>Total Hydrants</u>			
	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
4	17	-	-	17
6	15,442	272	52	15,662
	<u>15,459</u>	<u>272</u>	<u>52</u>	<u>15,679</u>

FIRE HYDRANT BRANCH PIPE<sup>1</sup>

<u>Size in Inches</u>	<u>Kind of Pipe</u>	<u>Length in Feet</u>			
		<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
4	Cast iron	304	-	-	304
4	Ductile iron	34	-	-	34
6	Cast iron	158,958	-	581	158,377
6	Cement asbestos	2,591	-	-	2,591
6	Ductile iron	154,542	5,161	302	159,401
6	Polyvinylchloride	943	-	-	943
6	Steel	19,088	-	-	19,088
6	Unknown	25,963	-	-	25,963
		<u>362,423</u>	<u>5,161</u>	<u>883</u>	<u>366,701</u>

SUMMARY OF FIRE HYDRANT BRANCH PIPE BY MATERIAL<sup>1</sup>

<u>Kind of Pipe</u>	<u>Length in Feet</u>			
	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
Cast iron	159,262	-	581	158,681
Cement asbestos	2,591	-	-	2,591
Ductile iron	154,576	5,161	302	159,435
Polyvinylchloride	943	-	-	943
Steel	19,088	-	-	19,088
Unknown	25,963	-	-	25,963
	<u>362,423</u>	<u>5,161</u>	<u>883</u>	<u>366,701</u>

SUMMARY OF FIRE HYDRANT BRANCH PIPE BY DIAMETER<sup>1</sup>

<u>Size in Inches</u>	<u>Length in Feet</u>			
	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
4	338	-	-	338
6	362,085	5,161	883	366,363
	<u>362,423</u>	<u>5,161</u>	<u>883</u>	<u>366,701</u>

<sup>1</sup>Fire hydrants and branch pipe within the City and Total Service Contract Areas.

NONPOTABLE MAINS AND VALVES - 2006

NONPOTABLE MAINS

SUMMARY OF PIPE BY MATERIAL

<u>Kind of Pipe</u>	<u>Length in Feet</u>			
	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
PVC	90,382	2,109	-	92,491
Steel	75,098	4,707	-	79,805
	<u>165,480</u>	<u>6,816</u>	<u>-</u>	<u>172,296</u>

SUMMARY OF PIPE BY DIAMETER

<u>Size</u>	<u>Kind of Pipe</u>	<u>Length in Feet</u>			
		<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
4"	PVC	3,327	-	-	3,327
6"	PVC	3,257	1,085	-	4,342
8"	PVC	15,340	1,024	-	16,364
8"	Steel	61	-	-	61
10"	Steel	22	-	-	22
12"	Steel	10,307	-	-	10,307
12"	PVC	21,572	-	-	21,572
16"	PVC	19,928	-	-	19,928
20"	PVC	26,958	-	-	26,958
24"	Steel	12,193	4,707	-	16,900
30"	Steel	3,634	-	-	3,634
36"	Steel	3,526	-	-	3,526
42"	Steel	45,355	-	-	45,355
		<u>165,480</u>	<u>6,816</u>	<u>-</u>	<u>172,296</u>

NONPOTABLE VALVES

SUMMARY OF VALVES BY TYPE

<u>Type of Valve</u>	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
Air vacuum valves	36	16	-	52
Blowoff valve	21	6	-	27
Butterfly valve	9	4	-	13
Gate valve	160	3	-	163
Pito (Corp stop)	4	-	-	4
	<u>230</u>	<u>29</u>	<u>-</u>	<u>259</u>

SUMMARY OF VALVES BY DIAMETER

<u>Diameter of Valve</u>	<u>12-31-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-06</u>
2"	4	16	-	20
4"	50	-	-	50
6"	38	6	-	44
8"	32	3	-	35
10"	2	-	-	2
12"	68	-	-	68
16"	1	-	-	1
20"	26	-	-	26
24"	2	4	-	6
30"	3	-	-	3
42"	4	-	-	4
	<u>230</u>	<u>29</u>	<u>-</u>	<u>259</u>

BREAKS IN MAINS, WATER CONTROL AND LEAK DETECTION SERVICES - 2006

DENVER MAIN BREAKS

<u>Size</u>	<u>Pipe Material</u>	<u>Number of Breaks</u>
4"	Cast Iron	1
4"	Ductile Iron	1
6"	Cast Iron	96
6"	Cement Asbestos	5
6"	Ductile Iron	6
6"	PVC	1
8"	Cast Iron	37
8"	Cement Asbestos	6
8"	Ductile Iron	5
8"	PVC	1
10"	Cast Iron	1
12"	Cast Iron	30
12"	Ductile Iron	2
12"	Cement Asbestos	3
12"	PVC	1
16"	Cast Iron	1
16"	PVC	1
Total		<u><u>198</u></u>

TOTAL SERVICE MAIN BREAKS

<u>Size</u>	<u>Pipe Material</u>	<u>Number of Breaks</u>
4"	Cast Iron	2
4"	Ductile Iron	3
6"	Cast Iron	29
6"	Ductile Iron	5
6"	Cement Asbestos	5
8"	Cast Iron	9
8"	Ductile Iron	4
12"	Ductile Iron	1
		<u><u>58</u></u>

WATER CONTROL SERVICES

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Service Calls	7,133	7,855	5,627	2,537	2,793
Service Leaks	1,043	1,452	1,204	1,117	1,034
Service Turn Ons	436	702	1,945	3,319	3,570
Service Turn Offs	736	804	1,240	1,205	893
Valve Leaks	86	123	75	74	100
Fire Hydrants Hit	120	131	125	138	133
Fire Hydrants Packed and Greased	29,660	31,091	30,645	31,014	24,778
Fire Hydrants Excavated for Replacement	218	185	168	148	174
Fire Hydrants, Miscellaneous Repairs	741	1,067	1,107	1,107	962
Total Fire Hydrants Tested and Repaired	<u><u>30,739</u></u>	<u><u>32,474</u></u>	<u><u>32,045</u></u>	<u><u>32,407</u></u>	<u><u>26,047</u></u>

LEAK DETECTION PROGRAM

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Non-Visible Leaks Detected	28	34	62	50	94
Non-Visible Water Leaks Loss (1000's of Gallons) <sup>1</sup>	7,358	8,935	10,774	13,140	106,038
Visible Leaks Pinpointed	53	54	62	90	325
Miles Surveyed	781	752	760	507	443
Savings Generated from saving lost water <sup>1</sup>	\$13,538	\$16,440			
Savings Generated from pinpointing Leaks <sup>1</sup>	\$37,100	\$37,800	\$43,400	\$63,000	\$195,000
Total Savings Generated from Leak Detection Program <sup>1</sup>	<u><u>\$50,638</u></u>	<u><u>\$54,240</u></u>			

<sup>1</sup>Estimated.