

## MID E-Release

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### Modesto Irrigation District (MID) Special Board Meeting of Fri., May 29, 2009

*The next MID Board meetings will be Tues., June 9 and 23 at 9 a.m.*

The MID Board Report is a summary of highlights of meetings of the MID Board of Directors and not a complete or official record of proceedings. Official records of proceedings of the MID Board of Directors are contained in the Minutes of meetings of the Board of Directors. For information about the Minutes, please contact the Office of the Board Secretary, 1231 Eleventh Street, Modesto, telephone 209 526-7360, 8 a.m. – 5 p.m., Monday – Friday, excluding holidays, or email [Board@mid.org](mailto:Board@mid.org).

#### Special Board Meeting

A special Board meeting was held today to review the seven percent electric rate increase scheduled to go into effect on June 1. This rate increase was step two of a planned three-step rate increase approved by the MID Board of Directors on Nov. 18, 2008.

#### Staff and consultant reports

- Electric Resources – Roger VanHoy, Assistant General Manager for Electric Resources, stated the following key points:
  - Purchased power and fuel expense is expected to be lower than forecasted by a total of \$60 million in 2009 and 2010. However, low natural gas prices (currently below production costs) cannot last and are likely to suddenly begin rising and return to the \$8 per million BTU level.
- Financial Advisor – Jerry Gold, First Southwest Company, made these points:
  - Now that bond insurance no longer exists, bond ratings are critical for municipal bond issuers like MID.
  - MID has not met the 1.10 debt coverage ratio in its bond covenants for three years in a row.
  - MID has maintained its A+/A1 bond rating only because of strong cash flow.
  - If MID's bond rating is downgraded to single A, it will cost MID ratepayers about \$6 million more (present value) to issue the bonds that will be needed in 2010.
- Finance and Rates – Lou Hampel, Assistant General Manager for Finance stated that MID showed a net operating loss of \$10.5 million (unaudited) as of Apr. 30, 2009. This is worse than financial projections prepared last year.

#### Action by majority vote

By majority vote, the Board changed the previously approved seven percent mid-year rate increase to a lower percentage. Residential electric rates will now increase only two percent on June 1. Reasons driving the decision included lower than anticipated purchased power and fuel costs as well as the improved hydropower outlook.

- Residential electric customers with average electric use will see bills rise about \$2.56 a month on June 1.
- The previously approved increase would have raised the average residential electric bill about \$8.82 a month.

No action was taken today on the six percent rate increase scheduled to go into effect on Sep. 1.