

MID E-Release

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Modesto Irrigation District (MID) Board Meeting of Tue., Jan. 12, 2010

Next MID Board meetings: Jan. 26, Feb. 9 and 23, Mar. 9 and 23.

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.

Presentation on MID Finances

Presenters

- Richard Hiscocks, Bond Counsel, Orrick Herrington & Sutcliffe
- Jerry Gold, Financial Advisor, FirstSouthwest
- Steve Dworkin, Lead Underwriter, J.P. Morgan
- Lou Hampel, MID Assistant General Manager, Finance
- Scott Van Vuren, MID Risk Administrator

Highlights:

- **MID is currently failing to achieve any of the financial targets** adopted by Board resolution in 2006.
- **Fitch Ratings downgraded MID's bond rating** from A+ to A. Reasons Fitch cited for the downgrade:
 - MID's poor financial performance in 2008 and 2009, and
 - The MID Board's decision to lower the 2009 electric rate increase from the originally adopted total of 14 percent to about 8.5 percent for the year.
- **Seattle City Light notified MID that it will no longer trade wholesale power with MID** unless a letter of credit is posted as collateral. This raises the cost of buying and selling energy. It is likely to be the first of several such actions by trading counterparties.

What this means for MID and MID customers:

- **Without an electric rate increase, MID cannot borrow money.** That's because MID is failing a creditworthiness test called the "additional bonds test."
- **MID needs to borrow \$25-\$30 million a year through 2014 to fund the "routine capital" that pays for maintenance of our electric system.**
 - With no rate increase, MID would have to start postponing this work beginning in 2011. Over time, electric service would begin to become less reliable.
- **MID plans to borrow money to invest in the Lodi Energy Project and the Woodland 3 Project.**
 - With no rate increase, MID would have to start canceling new investments in power plants, needed to supply our customers with electricity, beginning in 2012.

Presentation and Public Hearing on Proposed Electric Rate Increases

MID Budget & Rates Administrator Jimi Netniss presented the following staff recommendation for 2010 electric rates based on the Board-adopted cost of service policy:

Residential	11.0 %	IC-25	15.0 %
Commercial	10.0 %	Private lighting	15.0 %
Industrial - TOU	11.0 %	Ag pumping	11.0 %
Industrial - GS-3	9.5 %		

Following this presentation, comments were taken from members of the public during a public hearing. The Board may take action on electric rates at the Jan. 26 or a future meeting.

Staff Reports

- **Water Report** – Walt Ward, Assistant General Manager of Water Operations reported that:
 - **Rainfall forecasts** show a 40-60 percent chance of rain in the next 10 days. January is

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typically the wettest month of the year, yet only 0.07 inches have been recorded to date this month. This includes the 0.05 inches reported today.

- **Don Pedro** is at 777 feet, more than 40 feet higher than this time last year.
- **Spring Landowner Meetings** to review the 2010 water supply outlook, proposed water allocation and water rates and irrigation system improvements are schedule for Mon., Mar. 1 in Waterford at the Waterford Community Center and in Modesto on Wed., Mar. 3 at the MID downtown office Multipurpose Room. Both meetings start at 7 p.m.
- **Don Pedro Board of Control Report** – Director Cecil Hensley reported that:
 - **Expenses were \$24,000 higher** than revenues in Nov. 2009.
 - **A small loss** is expected for the full year 2009. Reserves are adequate to cover the loss.
 - **An increase in slip rental fees for houseboats** will be considered at a future meeting.
 - **44 bass tournaments** have already been scheduled for 2010.

Proposition 218 process for 2010 water allocation and irrigation water rates

By unanimous vote, the MID Board directed staff to:

- **Issue a Notice of Proposed Irrigation Water Rates for 2010.**
- **Set Mar. 9, 2010, as the date of a public hearing** on a proposed water rate increase. The proposal is in conformance with the expenses identified in the 2010 MID budget, which was previously approved by the Board.
- **Proposed irrigation (agricultural) water rates:** If the proposal is approved, the active irrigation account charge will be \$28.00 per acre including a 36-inch base tier water allocation and a 6-inch additional tier. The facility maintenance charge will be \$14.00 per acre. (Landowners pay either the active irrigation charge or the facility maintenance charge, not both.) The MID Board will determine the final 2010 water allocation later this spring.

Approved by majority vote

- **Action on McHenry Solar Farm postponed**
 - **This proposed 160-acre, 25 MW solar farm** would be developed by SunPower on the corner of McHenry Avenue and Patterson Road in northeast Modesto. MID is considering a purchase power agreement with SunPower that would deliver approximately two percent of MID's energy resources beginning in 2011.
 - **This would bring green energy to 21 percent** of MID's total supplies, along with current wind power contracts. Electric utilities must be 33 percent green by the year 2020 per state mandates.
 - **Nine other sites were considered in addition** to the location at McHenry and Patterson Road, according to Greg Salyer, MID Resource Planning & Development Manager. Advantages of the McHenry location include:
 - Land already disturbed by agriculture, doesn't harbor endangered species
 - Flat terrain
 - Close to electric customers and power lines
 - Willing landowner
 - Large enough single plot
 - Can be returned to farmland after the contract ends.
 - **By majority vote, the Board postponed a decision** that would have approved the purchase power agreement subject to completing the California Environmental Quality Act environmental review process for this project. This decision will be continued to a future meeting.
 - **Postponement allows time for greater public involvement** in one or more informal informational meetings about the McHenry Solar Farm proposal.

Approved by unanimous vote

- **Advancing funds to realign a portion of Graphics Drive** adjacent to the proposed Woodland 3 Project, provided that MID is reimbursed by the City of Modesto for its fair share of the costs.

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