

MID E-Release

Date: 02-01-10
Media contacts: Kate Hora, 209 526-7454



Modesto Irrigation District (MID) Board Meeting of Tue., Jan. 26, 2010

The next MID Board meetings will be Feb. 9 & 23, Mar. 9 & 23, 2010, 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.

Staff response to questions raised at Jan. 12, 2010 electric rate hearing

Lou Hampel, Assistant General Manager, Finance, provided information in several question areas:

1. **The public process used to develop MID's 2010-2014 budget.** This included a series of eight public workshops beginning in May 2009.
2. **Cost-cutting measures adopted by MID.** These included deferring \$6.8 million in projects, instituting a hiring freeze and leaving over 40 positions vacant – about 10 percent of the MID workforce. A one day per month furlough has also been examined. The resulting savings of about \$1.8 million would be small compared to MID's annual budget of about \$350 million.
3. **Debt service.** Principal and interest payments are expected to rise from **\$85.2 million** in 2010 to \$103 million in 2014.
4. **Debt service coverage.** Net electric system revenue must exceed debt service coverage by at least 10 percent.
5. **Liberalized bill payment requirements.** Several requirements for residential customers have been liberalized in consideration of the recession.
6. **MID's financial position in the Four Cities** (Escalon, Oakdale, Ripon, Riverbank) and in Mountain House. In 2010, MID's position in both areas has achieved a positive net present value despite the economic recession. In the Four Cities, MID is about \$83 million in the black and in Mountain House, about \$6.8 million. The important question to ask is whether it would benefit MID ratepayers to sell Mountain House electric infrastructure at a time when those assets are probably at the bottom of the market, at their lowest possible value?
7. **Projected costs associated with relicensing Don Pedro Dam and Powerhouse.** MID's one-third share of costs is expected to exceed \$25 million, not counting the value of potential requirements for extra water flows downriver.
8. **The cost of state and federal mandates.** State mandates for public benefits, green energy, reducing greenhouse gas emissions and subsidies for solar rooftops; and federal electric reliability standards will add substantially to the cost of electric service. The cost of green energy plus greenhouse gas reduction is expected to grow from \$4 million in 2010 to over \$43 million in 2014 – a 10-fold increase in five years.
9. **A \$65 million drop in MID reserves.** Because rate increases haven't kept up with the cost of providing electric service, MID has drawn down reserves to ease the burden on ratepayers.
10. **A comparison of MID and PG&E residential electric rates.** Today MID electric rates are lower at all consumption levels greater than 800 kilowatthours a month. However, after PG&E's upcoming electric rate increase, MID electric rates will be lower at all consumption levels.

Electric rate options

MID Budget and Rates Administrator Jimi Netniss reviewed the staff proposal for an 11 percent increase. Netniss also discussed:

- **Modifying the residential rate structure to add more rate tiers** or adjust the current threshold
- **Surcharges for power supply and/or state mandates.**

- more -

- continued -

MID Board approves 2010 electric rate increase package

By a 3-2 majority vote, the MID Board approved

- **A seven percent rate increase for all rate classes**, effective Feb. 1, 2010 with
- **A power supply surcharge** to appear on customer electric bills following review at a Board workshop scheduled for Feb. 9, 2010.
- The fixed monthly charge remains \$12.50. Individual electric bills may change by a different percentage depending on how much electricity the customer uses.

MID 2010 Electric Rate Increase				
Type of customer	Monthly bill 2009	Monthly bill 2010	Increase	Average monthly electric use (annualized basis)*
Residential	\$ 130.40	\$ 139.55	\$ 9.15	850 kWh
Low-income residential (MID CARES)	\$ 95.66	\$ 102.70	\$ 7.04	

*Electric use is higher in summer than in winter due to air conditioning use.

*kWh = kilowatthours

Staff reports

Water Report – Walt Ward, Assistant General Manager of Water Operations reported that:

- **Current snowpack levels compared to normal** have reached 122 percent – northern Sierra, 100 percent – central Sierra, 126 percent – southern Sierra.
- **The runoff forecast** for the Tuolumne River watershed stands at 55 percent of the April 1 forecast.
- **Don Pedro Reservoir** is receiving good inflows from rainfall at that elevation and is still 20 feet below flood space.

Approved by unanimous vote

- **Changes to MID's electric service rules, including lowering certain fees** due to cost savings achieved from installing smart meters.
- **A resolution implementing Accounting Rule SFAS-71.**

Items deferred to future Board workshops

- **A power supply surcharge** to appear on all customer electric bills.
- **A retroactive adjustment to the MID 2009 irrigation water base allocation.**
- **Revisions to the MID Risk Management Policy.**

All are tentatively scheduled for the MID Board meeting on Feb. 9, 2010 but could occur at future Board meetings.

#