

MID E-Release

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Modesto Irrigation District (MID) Board Meeting of Tue., Mar. 30, 2010

The next MID Board meetings will be Apr. 13 & 27, May 11 & 25, 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.

Woodland 3 Reciprocating Engines Project

1. Public hearing and Board action

Bid protest filed by Northern California Electrical Construction Industry (NCECI) and AZCO, Inc. relating to the Woodland 3 Generation Station power plant construction process

A public hearing was held regarding this bid protest.

- Following this public hearing, the Board by majority vote adopted a resolution finding that
 - Haskell Corporation is the lowest responsible and responsive bidder for general plant construction of the Woodland 3 Project
 - Haskell's bid complied with bid requirements, and that
 - Bid protests filed for NCECI and AZCO, Inc., are without merit.

2. Board resolutions adopted by majority vote

In separate actions, the Board adopted resolutions awarding Haskell Corp. a contract for \$18.4 million for construction of the Woodland 3 Project and authorizing the General Manager to execute future change orders in an amount not-to-exceed five percent of the contract price.

Staff and director reports

1. Water Report

- **The large storm forecast for later this week** is arriving just when the Tuolumne River watershed needs it, according to Assistant General Manager Walt Ward, Water Operations.
 - **Reservoir levels in the Hetch Hetchy system have capacity** to take in additional water.
 - **Snowpack levels have recently dropped:** Northern Sierra – 123 percent, Central Sierra – 88 percent, Southern Sierra – 104 percent.
 - **No rain has fallen** in our part of the Central Valley for 18 days.
 - **The most recent forecast for April-July runoff has declined** from 100 to 96 percent.
- Other water news,
 - **Elevation at Don Pedro** on Tuesday was 797.11, just five feet below flood space.
 - **The flow target on the Tuolumne River at Vernalis** will probably be 3,200 cubic feet per second this spring.

2. Don Pedro Board of Control Report

Director Hensley reported that revenues exceeded expenses by \$37,000 in January, February campground reservations increased by 20 percent.

3. Legislative/regulatory update and Board action

Regulatory Administrator Joy Warren briefed the Board on a wide-ranging list of federal and state legislative and regulatory items that potentially affect MID activities and costs on both the electric and water sides. MID works through professional representatives in Sacramento and in Washington, D.C., and seeks to leverage our voice by collaborating with other utilities and through utility associations. A partial list of current issues includes:

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- Water rights and fees
 - Salmon predation by non-native species
 - Endangered Species Act
 - Chemical security
 - Electric vehicles
 - Water quality, including ammonia
 - Greenhouse gas reduction
 - Cyber security
 - Green energy
 - Smart grid and demand reduction
 - Power transmission
- The Board unanimously authorized the General Manager to continue implementing legislative and regulatory programs to further MID's goals and activities at the state and federal levels.

4. Review of Valley Bioenergy Project and Board action

Resource Planning & Development Manager Greg Salyer reviewed the Valley Bioenergy Project, a proposed 30 MW wood-burning biomass power project in the Beard Industrial Tract. Valley Bioenergy LLC proposes to build and operate this power plant with a combination of private funding and federal grant monies and to sell the power to MID. MID has a limited-term exclusivity agreement with Valley Bioenergy. To allow for project construction in time to qualify to receive a federal grant, staff recommends that MID act as lead agency for the California Environmental Quality Act (CEQA) process.

- The Board unanimously authorized MID participation in the Valley Bioenergy Project as lead agency for the CEQA process.

5. Update on Mountain House Community Services District

Lou Hampel, Assistant General Manager, Finance, presented a history and financial analysis of MID electric service in Mountain House, discussing the assumptions and forecasting model used as the basis of that analysis. Conclusions:

- As with all other capital-intensive projects including new developments in Modesto, initial cash flows in Mountain House have been negative.
- The Mountain House service area has a positive net present value of \$8.5 million in 2010.
- MID expects the Mountain House service area to generate positive net revenue by 2015.

Other items approved by unanimous vote

The Board unanimously approved the following resolutions:

- **Update on MID Reliability Standards Compliance Program** – Acceptance of a semi-annual report on MID's Reliability Standards Compliance Program. It was noted that complying with federal reliability mandates requires the labor equivalent of at least four full-time employees.
- **Smart Grid Investment Grant** – Approval of the Smart Grid Investment Grant Assistance Agreement between MID and the U.S. Dept. of Energy and a \$1.89 million augmentation to the 2010 budget to accelerate the implementation of planned Smart Grid projects. MID has been awarded \$1.5 million in federal grant funds, which will reimburse all but \$389,000 of the budget augmentation. The \$1.89 total project funding will be used to:
 - Finish deploying Silver Spring Networks smart metering throughout the MID system
 - Install automated capacitor and substation controls that offer the potential for large energy and cost savings
 - Create an interface that will allow customers to see smart meter data and understand/make choices about how they use energy, and
 - Develop rate design and pricing options for customers.
- **Rosemore-Finney Transmission Line Project** – Authorized the General Manager to take all actions necessary to implement the Project.

Other items approved by majority vote

- **Change in financial policy** – The Board revised its financial targets as follows:
 - Debt service coverage ratio 1.25 X
 - Unrestricted reserve balance equal to 120 days of expenditures (currently approx. \$105 million)
 - Retail electric rates at cost of service
 - Bond ratings at A₂ (Moody's) – A (Fitch) – A (Standard & Poor's).

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Board Workshop: Proposed MID Electric rate adjustments (surcharges)

MID Budget and Rates Administrator presented a workshop on Retail Electric Adjustments, also sometimes called surcharges. The adjustments being discussed would

- Inform customers of mandated costs and allow customers to trace costs to specific causes
- Be separate from the base electric rate increase
- Be determined by a formula the customer could calculate
- Would apply to all customer rate classes
- Once a formula was established approved by the Board, would take effect automatically
- Are commonly used by other electric utilities.

Formulas for power supply, green energy and greenhouse gas cost adjustments were discussed. The alternative to charging for these costs through adjustments is to build them into the energy charge portion of the base electric rate. The dollars amounts of customer electric bills would be the same. However, the customer would not be able to pinpoint the causes of the costs.

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