



MID Board Adopts 2011 Budget

District Works to Maintain and Improve Service amid Economic Challenges

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MERCED – Today the Merced Irrigation District (MID or District) Board of Directors approved the 2011 Operating and Capital Budget, including an Operating Budget of \$63.7 million and a Capital Budget of \$11.1 million covering the Water Resources, Energy Resources, Drainage Improvement District and Parks Departments.

With a full, adequate water supply available in 2011, the Board of Directors adopted the same in-district standby fees and water rates as in 2010: \$24 per acre and \$18.25 per acre-foot respectively.

Additionally, the Board set the water rate for Sphere of Influence water purchases at \$42.50 per acre-foot for 2011. Electric rates will remain the same as in 2010 except for changes adopted by the Board of Directors in late 2010 for Net Energy Metering and Ag Demand General Service rate schedules. Modest daily and annual permit Parks rate increases took effect January 1, 2011.

All department revenues are expected to be similar to 2010. However, the District has concerns regarding future revenues. Those concerns include reductions in tax revenue from decreased property values resulting from the economic downturn and this being the final year of MID's participation in the Vernalis Adaptive Management Plan (VAMP). During the previous 10 years of the VAMP program, the District received an average of \$3.8 million per year from state and federal agencies for spring and fall water releases from New Exchequer Dam. These targeted flow releases are designed to aid salmon spawning activities and to meet water quality criteria in the San Joaquin River. VAMP revenues have historically assisted the District in completing major water conservation and delivery system rehabilitation projects. MID is exploring continuance of the VAMP program or a similar effort.

"MID remains focused on cutting costs and increasing operational efficiencies as its main financial tool at this time," said MID Board President Wil Hunter. "The cost of doing business for our ratepayers is not going down. It is imperative we do all we can to cut MID's costs and improve our planning before

considering increases to our ratepayers. At the same time, we also must remain committed to improving customer service and protecting MID's resources."

Although the District has reduced staffing levels from 185 full-time positions in 2009 to 166 full-time positions in 2011, there are numerous other challenges facing the District. The District remains concerned about continued increases in employment costs, including retirement benefits and healthcare premium increases. The District also remains concerned about the effects of Renewable Portfolio Standards (RPS) legislation and its potential impact on increased power purchase costs. The RPS legislation requires utilities to purchase a portion of their electricity from renewable sources. Current renewable energy purchase opportunities are approaching triple the current spot market power prices. Additionally, MID will see a \$1 million increase in power transmission costs charged by Turlock Irrigation District. MID's annual debt service will increase by \$1.7 million in the 3rd quarter of 2015 due to the costs of relicensing the New Exchequer Hydro-Electric Project.

The District does expect to see a 5 percent reduction in power purchase costs in 2011 as compared to 2010 as a result of low, stable market power costs and an expected excellent hydro-power output throughout the West.

"I appreciate staff taking a step back and redefining the way the district operates and contains costs," said MID President Hunter. "This has resulted in significant benefits to MID's ratepayers during these difficult economic times and our ratepayers are seeing these benefits in their homes and businesses. Many of these choices have not come easy. That said, I expect staff to continue to think outside the box, work with Board and further increase operational efficiencies, benefitting our ratepayers."

The District's Capital budget focuses on three major water conservation and groundwater recharge projects in the Livingston and Atwater Areas, a new Boat Launch facility at Lake McClure funded by a Department of Boating and Waterways grant, electrical improvements in the District's Parks campgrounds, expanding and reinforcing the District's electric system and modest fleet asset purchases. The District will also replace its main transformer and main turbine at the New Exchequer Hydro-Electric Project.

"MID's facilities and resources are the heartbeat of the eastern Merced County economy but those facilities aren't getting any younger. Planning and re-investment in MID's infrastructure is critical to our ratepayers expectations of reliable, low cost resource delivery," said MID General Manager John Sweigard.

"I'm proud of what staff has accomplished in the last year and I expect even better bottom line results moving forward. There remain challenges on every front and in every department, but we have a dedicated, professional staff in place that are up to the challenges and embrace them. Each of us are here to serve our community and that is what we intend to continue doing."

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