



MID Main Office

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Board Meetings

Merced Civic Center
678 W. 18th Street
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The first and third
Tuesday of every
month at 10:00 am.

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Hundreds of Growers Discuss Drought Effects With Merced Irrigation District



Merced County growers hear firsthand from MID management about the dire water outlook for 2014 as the state faces a third consecutive dry year.

More than 500 growers met with top managers from Merced Irrigation District in February to hear firsthand about this year's dire water predictions and a possible water rate stabilization.

The meeting was held Feb. 7 at the Merced County fairgrounds. Presentations were made by MID Deputy General Manager, Water Resources Bryan Kelly and Director of Finance Brian Stubbert, as well as General Manager John Sweigard.

As with other parts of the state, Merced is entering a third consecutive dry year. The situation for MID is both dire and unprecedented. The lack of rain and snow has broken numerous records dating back more than 100 years. MID will have mere inches of surface water to provide its growers this season.

No final determinations have been made

by the MID Board of Directors about the length of the irrigation season, its beginning, or the actual amount of water available to be allocated. Such decisions will likely be made in late March when the District has more accurate information about the snowpack and its water content. Early predictions of water content often change as spring approaches.

"There is no margin for error with what our growers are up against. The intent is to take the reservoir all the way down this year," said MID's General Manager Sweigard.

Lake McClure, the District's water storage reservoir, currently holds approximately 70,000 to 80,000 acre feet of water that can be diverted to MID growers across 100,000 acres of irrigated land.

The District expects to make a limited amount of additional water available through

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Its Supplemental Water Supply Pool Program. The Supplemental Program provides water supplies from groundwater pumping for growers who voluntarily subscribe to it. More information will be made available to growers in the coming weeks.

MID expects to allow surface water reallocation, groundwater wheeling and groundwater exchange programs, similar to the 2013 irrigation season.



An orchard within the Merced Irrigation District begins to bloom. MID growers are faced with a third consecutive dry year. The District will be able to provide only a minimal amount of water to growers this year.

“There is no question this is going to be a painful year. Our goal is to do everything possible to support our growers with the limited water supply we do have,” said Bryan Kelly, MID Deputy General Manager, Water Resources.

During the meeting, MID’s Director of Finance Brian Stubbert also discussed the dire financial situation MID faces as a result of the unprecedented drought. MID currently predicts approximately a \$10.6 million shortfall in revenue for the 2014 budget year. Of that, \$4.6 million represents losses from in-district sales to growers. The remaining \$6-million loss stems from revenue that has historically been generated from water transfers outside the District. No such transfers are planned this year.

The financial difficulties brought on by the drought are being compounded by the fact that MID is taking full ownership of the power production at New Exchequer Dam this year. Under the facility’s construction agreements, PG&E has received the benefit of the power produced by MID since the 1960s. The 100-megawatt hydroelectric generator will produce minimal electricity this year without adequate water in the lake, resulting in less than \$100,000 in revenue for the District. This will have no effect on MID electric customers’ bills because the hydroelectric facilities are strictly a Water Department asset. It does however add to the financial hardship affecting growers. The Exchequer and McSwain powerhouses historically produce on average 330,000 megawatt hours of electricity annually, but are expected to generate approximately only 2,800 megawatt hours for MID’s benefit, which is less than 1% of the average annual generation.

“There will be bright years ahead for the hydro generation asset – it will rain and snow again. The reservoir will fill, but we will have to get through this difficult year to see that bright future,” said General Manager Sweigard.

Through a combination of deferred maintenance and the use of reserves, MID expects it can reduce the need for significantly increased revenue from growers. In accor-

dance with California’s Proposition 218, a rate study and technical analysis is underway that will determine the exact shortfall and potential costs associated with adjusting water rates and/or standby fees to offset that shortfall.

MID’s Sweigard said that considering an increase to standby fees and water rates is necessary to address bond repayment covenants. In recent years MID has taken significant measures to cut its costs, resulting in millions of dollars in savings. Between 2010 and 2012, the district went through a series of major reorganizations that reduced the number of full-time employees from 185 to 153. The District also cut expenditures by ending contracts with consultants and outside companies, and having the work done by MID staff. Further, the district has recovered unfunded pension and retirement liabilities from PG&E that were associated with the New Exchequer Hydroelectric Project.

Under California’s proposition 218, MID growers will have an opportunity to vote and participate in a public hearing to protest or oppose any proposed fee or rate increases. Such a date has not yet been determined.

During the February grower meeting, Sweigard said that MID is aggressively planning for the future but that the drought crisis has prompted discussions about the short-term financial needs of the District. He noted that the District is currently in the middle of developing a long-term resource management plan. Among other things, it will help prioritize infrastructure improvements and address long-term financial needs. The plan discussions will include weighing the benefits of water-rate increases compared with out-of-District water sales to address long term financial and water-use sustainability.

“Our goal, from a staff perspective, is that we have always worked to keep water rates as low as possible for our growers, while delivering and protecting their resources” Sweigard said. “Nothing is going to change that. We have hit a bump in the road. However, we know that it is going to rain again and we are going to see good years which benefit everyone. In the meantime, we’ll do what needs to be done to get through this.”