

# THE Current



MID's Monthly Newsletter

May 2012



MID Main Office  
744 W. 20th Street.  
Merced, CA. 95340

## Hey Kids...

### The MID Canal Safety Poster Contest is back!



Design your very own water and canal safety themed poster (11" x 14") and submit it to MID by June 4.

Top three winners will receive a 2012 Season Pass to ISLAND WATERPARK, Fresno.

Contest is for kids 6-11. Please include name and phone number on back of poster.

## Spring Brings Surprise Good News for Water and Electric Customers

Merced Irrigation District – and those it serves – received some good news this month. The series of storms that passed through the Valley helped provide an increase in the available water supply. This prompted the MID Board of Directors on April 25 to remove limitations on the amount of available water to growers. At the same time, MID made significant headway in its efforts to address the state's costly new renewable energy mandates for all public and private utilities. As it stands now, MID would be expected to purchase \$30 to \$40 million worth of energy from wind and solar sources over the next nine years with costs being passed along to ratepayers and local businesses.

### WATER AVAILABLE THIS YEAR, NEXT YEAR PREPARE FOR DROUGHT

On April 25, the MID Board voted unanimously to lift all limits on water supplies to irrigators within Merced Irrigation District. This also includes the water users of the El Nido area, who had been limited to 50 percent of MID's available water supply. This was consistent with the terms and conditions of the El Nido Irrigation District consolidation.



A series of late-season storms helped provide 170,000 acre feet of additional supply in Lake McClure for a total of 280,000 acre feet, according to the California Department of Water Resources.

The motion to make a full season of water available was made by Director Dave Long and seconded by Director Gino Pedretti.

Board President Suzy Hultgren and Director Tim Pellissier, as well as MID staff, strongly cautioned during the meeting that MID growers will likely face a challenging water supply next year. Historical data maintained by

See "Good News" Back Page



## SPECIAL MESSAGE FROM THE MID BOARD PRESIDENT: Water Transfers, Budgets, Water Prices and the District's Financial Future

The issue of MID water transfers has become the subject of local interest in recent weeks. I feel it is imperative that we continue an open discussion on this issue within our community and shed plenty of light on the facts. I believe it is incumbent on all MID water users to know the facts and history of water transfers, and to share their views with the director representing their division. In a normal water year, without restrictions, MID growers typically pay \$18.25 per acre foot. The actual cost of delivering that

water to the farm is approximately \$45 per acre foot – assuming minimal groundwater pumping.

The revenue derived from water transfers represents the difference between MID growers paying approximately \$20 per acre foot and \$45 per acre foot.

MID has been voluntarily completing water transfers for decades through many managers and boards of directors. Transfers have been done for the economic benefit of MID ratepay-

ers. It has helped maintain affordable water rates for growers, provided essential funding for infrastructure projects within the irrigation system and helped maintain healthy financial reserves.

Over the past couple years, MID's management and board have taken actions to reduce the District's water operations budget by millions of dollars per year. Some decisions were easier than others, such as cutting outside consulting contracts and bring-

See "Special" Back Page

**Continued From Front: “Good News”**

MID show that dry years often appear in back-to-back years.

In lifting the limits on water, the Board left intact a tiered pricing mechanism of an additional \$5 per acre foot for water use above 2.5 acre feet per acre per water account number. The additional revenue will help offset the costs of pumping groundwater earlier in the season as well as additional pumping that will be required over the season to limit operational spills.

“Unless we receive above-average precipitation in the coming winter, we are likely to face another challenging year,” said Deputy General Manager Hicham Eltal. “MID will be forced to severely limit available water supply next year.”

Earlier in the season, MID had established an allotment of 4-acre-feet per acre for MID water customers and 2 acre feet per acre for Class II water users in the former El Nido

Irrigation District. At the time, the District was facing the potential to be the driest year in 108 years of records maintained by MID.

**PROTECTING MID RATES WHILE GOING GREEN**

As has been in the news recently, MID has been working hard to keep its rates affordable while faced with a new state mandate expected to cost millions of dollars. In 2011, the state legislature passed legislation requiring all California utilities to procure 33 percent of their energy from renewable sources, such as wind and solar. Although small hydroelectric projects are considered renewable, larger projects such as MID’s New Exchequer hydroelectric project are not considered renewable.

The mandate will have a costly impact to MID and its rate payers – to the tune of \$30 to \$40 million – over the next decade. As has been stated before, MID is a strong proponent of renewable energy and holds contracts for wind energy as well as helping sponsor the UC Solar Institute.

Unfortunately, the exclusion of large hydroelectric projects like that owned by MID will have a significant impact on one of the regions which has been hardest hit by the recession. Over the past year, MID has been working hard to bring this issue to the attention of officials in Sacramento. Merced-area Senator Anthony Cannella has been a lead advocate and introduced critical legislation on this issue in the current legislative session.

On April 24, Senate Bill 971 was heard in the Senate Energy, Utilities and Communications Committee with MID Public and Government Relations Officer Mike Jensen providing testimony. Ultimately, the legislation was defeated. However, not before Senator Cannella received several complementary remarks for his efforts from both sides of the aisle. Senator Cannella also was successful in garnering interest from both sides of the aisle to continue working on a solution for Merced and its ratepayers.

**Continued From Front: “Special”**

ing the work and expertise “in-house.” Other cost-cutting measures required more difficult decisions and affected individual MID employment, pay and benefits.

In spite of those actions, MID’s water resources budget remains between \$5 and \$6 million short in internal revenues each year. For decades, that gap has been offset each year by water transfer revenue. Additionally, water transfer revenue has allowed MID to invest millions of dollars to repair, maintain and replace aging infrastructure, as well as fund the costs of protecting your water rights and resources from outside interests.

**THE BASIC FACTS**

MID completed its first water transfer in 1967 with the Department of Water Resources (“DWR”) when it agreed to maintain annual minimum flows of approximately 60,000 acre feet per year, for 50 years, in the Merced River below Lakes McClure and McSwain. This agreement was made for wet and dry years alike. In exchange, MID received almost \$8 million for reservoir and parks facilities, as well as fishery enhancements.

MID had also transferred water to the former El Nido Irrigation District since 1972, in wet and dry years, including the extended drought period of 1988-1992. The transfers were made in various annual quantities and at various prices. On average, El Nido received approximately 10,000 acre feet per year until consolidation with MID in 2005.

MID became active in the newly forming state water transfers market beginning in 1992 when it transferred 11,705 acre feet to the DWR Drought Water Bank for \$585,000. At this point, MID had already experienced surface water shortages from 1988-1992, but the district appeared to be in need of a financial lift.

Subsequently, MID entered into the San Joaquin River Agreement with the United States Bureau of Reclamation, DWR, the irrigation districts of Modesto, Turlock, Oakdale, South San Joaquin, the City and County of San Francisco and the Friant and San Joaquin River Exchange Contractors. This fisheries science and water transfer program was designed to satisfy State Water Resources Control Board water quality requirements while performing fisheries studies. It lasted 13 years, during which MID released annual spring and fall flows totaling 538,000 acre feet and received total revenue of \$41 million.

MID also executed other water transfers with various state and local water agencies from 1992-2011 in the amount of 224,000 acre feet and received \$17.3 million dollars. In present day dollars, these transfers would equate to \$90 million vital to budgets that did not have to come from MID growers.

**PLANNING FOR THE FUTURE**

MID has major financial considerations for which we need to continue planning. Among them:

- Bond payments for federal relicensing of

our hydroelectric project begin in 2015.

- MID continues to face the difficult challenge of paying for long-term – and unfunded – employee retirement and healthcare commitments amid a volatile public retirement system and weak economy.
- Increased costs associated with expected mitigation measures resulting from the relicensing of the New Exchequer Hydroelectric Project, such as recreation improvements and fishery measures.
- Ongoing and future regulatory and legal challenges to MID water rights.
- Maintaining adequate financial reserves.
- Funding capital and improvement projects, including aging infrastructure, water conservation, groundwater recharge and conveyance projects.

The takeaway is that MID has been voluntarily completing water transfers for decades through many managers and many boards for the economic benefit of its growers. However, we do have choices on how we continue to pay for the costs of providing our community its water. In the coming months, my intent is for MID to conduct public workshops on this issue and receive input from our ratepayers. In the meantime, I urge you to carefully consider this issue and contact your representative on the MID Board to share your views.