

THE Current



MID's Monthly Newsletter

October 2012



FROM THE HEADGATE: MID GENERAL MANAGER JOHN SWEIGARD

Many Accomplishments Seen This Past Season

As irrigation season winds down, the fall season marks the time when Merced Irrigation District turns its attention to the annual budgeting process and its construction and maintenance projects.

There is significant work ahead of us. However, MID has also had several accomplishments over the past season based on the policies and priorities set by the MID Board of Directors. These include an outstanding external audit, significant community recognition and

making progress to increase our water storage capacity.

DISTRICT FINANCES

In July, an external audit of the District's finances gave the agency the highest possible financial opinion. Spanning 59 pages, the report also shows the District to be in good financial standing with healthy reserves and meeting all of its debt service obligations. In fact,

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Board of Directors

Div 1: Tim Pellissier
Div 2: Gino Pedretti
Div 3: Dave Long
Div 4: Suzy Hultgren-
(President)
Div 5: Will Hunter-
(Vice President)

Board Meetings

Merced Civic Center
678 W. 18th Street
Merced, CA 95340

The first and third
Tuesday of every
month at 10:00 am.

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MID Prepares to Take Back its Power Benefits

One-by-one, several MID engineers and operations employees begin their trek down the dark tunnel. The only illumination comes from sporadically hung lights and handheld flashlights.

After climbing down the tunnel approximately 120 feet, the warm air begins to cool. The concrete walls become cold to the touch. At this point, there is no doubt: they are now underneath Lake McClure – and well on their way to the bottom of a structure that was built in the early 1900s and which has remained sealed underwater since the 1960s.

Such was the scene in late September as about a half dozen MID employees made their way through the host of tubing, ducting and spiral stairways leading down into the depths of the original Exchequer Dam. Built in the 1920s, it was later covered with water after the New Exchequer Dam was built in the 1960s to enlarge Lake McClure.

The rare trip to the bottom of the dam was part of the ongoing work between PG&E and MID in preparation



A tunnel leads deep into the original Exchequer Dam, now submerged under Lake McClure. Part of its infrastructure is still used for power production at New Exchequer Hydroelectric Project.

for a change of ownership in the operations of the New Exchequer Hydroelectric Project. At the direction of the MID Board, MID staff have been scrutinizing every detail of the contract and the condition of the hydro project before it changes hands from PG&E to MID in 2014.

Among the findings by staff was a missed obligation from PG&E to pay the District nearly \$2 million to cover the cost of unfunded retirement liabilities for MID employees working at the Project.

"When I reviewed the contract it was clear to me that MID was entitled to additional expenses that had not

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MID has doubled its reserves in the past four years.

The audit for the 2010-2011 calendar year shows the District's net assets increased by \$11.6 million while long-term debt decreased by \$1.8 million.

These are difficult economic times and have required difficult decisions throughout MID. However, it is clear that we have made the right decisions for our water and electric ratepayers. The report is especially important as MID begins to look ahead and face the reality of paying for bonds and debt associated with the federal relicensing of our hydroelectric project.

According to the audit, MID had \$71.5 million in operating revenue and \$62.7 million in expenses for the year. The net income of \$8.8 million will be used to pay down debt and investment in capital improvement projects that benefit MID water and electric users.

Following a formal request for proposals, the audit was performed by Bur, Pilger, Mayer, Inc. of San Francisco.

BUSINESS OF THE YEAR

Also this past summer, MID was recognized as the Large Business of the Year by the Greater Merced Chamber of Commerce.

"In the past year, MID has set a sterling example of business and community involvement that has so significantly benefited Merced County that it could not be overlooked," said Chamber President

David Melin. He further noted that in difficult economic times, MID had not only been successful but also given back to the community.

Among the examples he cited:

- MID became a major sponsor of the Merced County Fair, helping fill a needed gap in difficult financial times.
- MID helped add an additional day of racing to the MERCO Cycling Classic, a significant generator of revenue for businesses in the community.
- MID contributed \$1,000 to help the community effort to reopen McNamara Pool in south Merced as part of its Canal Safety Program. MID's management also privately donated \$600 in vouchers allowing local youth to swim for free.
- MID was the first public utility to sponsor the UC Solar Institute, based at UC Merced, which aims to develop solar technology and make it more cost affordable.
- MID and its staff have devoted their personal time and resources to assisting local organizations and nonprofit organizations that work for the betterment of our community.

INCREASED WATER STORAGE

In June, considerable hours of work from MID resulted in the passage of bipartisan Congressional legislation paving the way for increased water storage in Lake McClure. This effort was among the highest priorities for the MID Board of Directors over the past two years.

Following months of work with Congress Member Jeff Denham, the U.S. House of Representatives passed H.R. 2578 on June 19. Sponsored by Congressman Denham, the

legislation provided the first crucial step in changing federal law allowing for a robust review of a proposal to increase Lake McClure's storage capacity by up to 70,000 acre feet of water. The legislation was co-sponsored by fellow San Joaquin Valley Congressmen Dennis Cardoza, Jim Costa and Devin Nunes. The legislation still awaits action in the U.S. Senate. If signed into law, MID would be able to begin reviewing the project that would increase its spillway gates by up to 10 additional feet to provide for the increased storage.

LOOKING AHEAD

We have much work ahead of us in the coming winter months. MID has numerous maintenance projects planned for its 800 miles of waterways. All of these are aimed at increasing efficiency and ensuring the lowest possible water rates for our growers. The District also continues its efforts to comply with the state's new renewable energy mandate while minimizing our electric customers' costs: MID provides competitively priced power, not only to MID's residential customers, but also to some of the county's largest employers.

Nevertheless, as I look at what our staff have accomplished in the past season, I believe we have raised the bar of what a public agency can – and should – do. This has not come from a single individual. It has come from the policies set by our Board Members and carried out by our management team and our employees in the field. My hat is off to all who have helped MID reach these goals. We still have much work to do. However, in the meantime, congratulations on a job well done.

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previously been addressed by the District," said MID General Manager John Sweigard. "Once we notified PG&E and discussed the matter, they agreed that MID should receive compensation for the unfunded retirement liabilities."

The construction of the New Exchequer Hydroelectric Project was partially funded by PG&E. In return, PG&E has received the benefit of the energy produced there for the past 50 years. However, on July 1, 2014, the contract expires and the energy will belong to MID. In preparation for that change, MID and PG&E have been working cooperatively to ensure the hydro project is in the best possible working order before the change.

"MID and our community have significantly benefitted from PG&E's cooperation throughout this process," said MID Deputy Manager of Energy Resources Don Ouchley. "We are grateful for the work they are doing."



Jason Grace, MID Energy Resources Supervisor, examines the interior of the original Exchequer Dam.

While inside the Old Exchequer Dam in September, MID employees and outside engineers examined old structures, such as the aging bolts that affix stairways to the tunnels. They also examined portions of the original penstock – the structure which directs water into the hydroelectric project – and is still used in conjunction with the new hydro project. Each year, MID hydro operators must descend into the old dam and inspect equipment, seepage and other infrastructure. As part of the work to

prepare for the 2014 change, MID has also been working with PG&E to ensure the powerhouse at the base of New Exchequer Dam is safe from falling rocks. The powerhouse sits at the base of New Exchequer Dam deep inside a rock canyon of the Merced River.

"The work being done today will benefit MID ratepayers for decades to come," said MID's Sweigard.

As for the future of the energy produced at New Exchequer, MID is actively engaged in analyzing several options. Among them are selling the electricity to the California Independent System Operator, which maintains and distributes electricity across vast portions of the state's electrical grid. MID is also examining options for bringing the electricity directly back into its public electric system to benefit ratepayers.

"We are considering every avenue and all of the costs MID must bear once we take back control of New Exchequer's power," said Sweigard. "Ultimately, all decisions will be made with the intent of providing the best possible benefit to MID's ratepayers."