

# CURRENTS

## WHAT'S NEXT IN PUBLIC POWER

EACH YEAR MID STAFF PREPARES A BUDGET FOR CONSIDERATION BY THE BOARD. THIS ISSUE OF CURRENTS EXAMINES THE BUDGET PLANNING PROCESS AND SOME OF THE KEY FACTORS THAT IMPACT BUDGET DECISIONS.

MID has sharpened our pencils and developed our 2013 budget. The budget is always presented and reviewed in a series of public workshops. The Board and staff search for every feasible way to manage and cut costs. Each project receives scrutiny for need, timing and cost-effectiveness. Our electric resources plan, staffing levels and other various policies get thorough reviews. This budget process lays the foundation for electric and water rates for the coming year. While the budget will be refined as we continue through the budget workshops, below is a snapshot of the 2013 budget as it stands today.

### Budget Planning Factors

The budget planning process begins each summer. Staff considers a variety of budget planning factors, including:

- MID is a not-for-profit organization. All charges are based on cost of service, not making a profit. MID has no stockholders, and therefore no dividends.
- Most revenue comes directly from electric and irrigation water sales.
- MID receives no federal, state or local tax money, except for an occasional state or federal grant for a specific project.
- MID funds long-term projects such as generation stations or transmission lines by debt financing. The debt is repaid over the life of the projects.
- MID budgets all irrigation and electric operations together in a single budget.
- Board policy requires 120 days of operational expenses in reserve to cover unexpected swings in power costs and to lessen the need for rate increases. Over the last 10 years, MID's reserve levels have been reduced by about 40% in an effort to keep rates low.

### 2013 Budget Considerations

Several additional factors were taken into account when crafting the 2013 MID budget. These include:

- Lowered growth forecast to 0.8%. (Historical growth has averaged 2.5%).
- The costs of state and federal mandated programs such as renewable energy requirements continue to rise.

### Preliminary 2013 Budget

• Power Supply	\$236 million
• Operations and Maintenance	\$99 million
• Debt Service	\$65 million
• Capital (cash)	\$4 million
• Capital (financed)	\$41 million
• subtotal	\$404 million
<b>Total</b>	<b>\$445 million</b>

### POWER CONTENT LABEL

ENERGY RESOURCES	2011 MID NON-RENEWABLE POWER MIX	2011 MID RENEWABLE	2010 CA POWER MIX** (for comparison)
<b>Eligible Renewable</b>	<b>25%</b>	<b>100%</b>	<b>14%</b>
- Biomass & waste	0%	0%	2%
-Geothermal	0%	0%	5%
-Eligible hydroelectric	1%	100%	2%
-Solar	0%	0%	0%
-Wind	25%	0%	5%
-Other Renewable	0%	0%	0%
<b>Coal</b>	<b>13%</b>	<b>0%</b>	<b>7%</b>
<b>Large Hydroelectric</b>	<b>18%</b>	<b>0%</b>	<b>11%</b>
<b>Natural Gas</b>	<b>18%</b>	<b>0%</b>	<b>42%</b>
<b>Nuclear</b>	<b>0%</b>	<b>0%</b>	<b>14%</b>
<b>Other</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Unspecified sources of power*</b>	<b>25%</b>	<b>0%</b>	<b>12%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* "Unspecified sources of power" means electricity from transactions that are not traceable to specific generation resources.

\*\* Percentages are estimated annually by the California Energy Commission based on the electricity sold to California consumers during the previous year. For specific information about this electricity product, contact Modesto Irrigation District. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or [www.energy.ca.gov/consumer](http://www.energy.ca.gov/consumer).

Note: The above percentages do not account for any potential retirement of Renewable Energy Credits that MID may implement in order to reach current or future Renewable Portfolio Standard targets.

### Important Cost Cutting Measures

Here are a few examples of what MID has done to cut expenses and improve efficiencies in 2013:

- Spending on local electric infrastructure has been capped. No large capital projects are planned for the next 5-10 years.
- MID is looking to take advantage of lower interest rates and refinance existing debt.
- Since early 2009 MID has halted all but critical hiring. MID currently has more than 10% vacancy rate.
- MID continuously seeks ways to improve efficiencies and cut expenses.

### What's Next?

Final budget revisions and review and budget adoption by the Board of Directors as well as a series of workshops and a public hearing on electric rates will take place this fall.