

**OFFICE OF THE BOARD OF DIRECTORS
OF THE MODESTO IRRIGATION DISTRICT**

1231 Eleventh Street
Modesto, CA
November 15, 2022
8:30 a.m.

The meeting of the Board of Directors of the Modesto Irrigation District was called to order, in special session, in-person and via webinar, on the fifteenth day of November 2022. Present were Directors: John Mensinger, President, Stu Gilman, Vice President, Nick Blom, Larry Byrd and Paul Campbell, General Manager, Ed Franciosa, General Counsel, Wesley Miliband and Board Secretary, Angela Cartisano.

QUORUM

Upon roll call, a quorum being present, the President called the meeting to order.

President Mensinger announced the Board will be convening into closed session.

Wes Miliband, General Counsel, announced that item 10 - Closed Session – Conference with Labor Negotiators, will be pulled from the agenda.

RECESS

At 8:34 a.m., the Board of Directors recessed the meeting.

CLOSED SESSION

At 8:35 a.m., the Board of Directors convened in closed session for:

Conference with Legal Counsel - Existing Litigation
(Paragraph (1) of Subdivision (d) of Government Code § 54956.9)
Modesto Irrigation District v. California State Water Resources Control Board
Sacramento County Superior Court Case No. 34-2019-80003052

RECONVENE OPEN SESSION

At 9:00 a.m., the Board of Directors reconvened in open session.

ANNOUNCEMENTS FOLLOWING CLOSED SESSION

Miliband noted there is no reportable action, but we do have item 7, Tuolumne River Agreements, on the agenda and for those who did not hear the 8:30 a.m. announcement, agenda item 10, Closed Session – Conference with Labor Negotiators, is being pulled from the agenda.

PLEDGE OF ALLEGIANCE

President Mensinger led the pledge of allegiance.

President Mensinger explained why he will be recusing himself from voting on the consent agenda and asked Director Blom to take over.

CONSENT ITEMS

MINUTES

Moved by Director Campbell, seconded by Director Byrd, that the minutes of November 8, 2022, be approved. Director Blom declared the motion carried by a vote of all Directors present.

WARRANTS

Moved by Director Campbell, seconded by Director Byrd, that warrants numbered 124014 to 124157, in the amount of \$1,790,993.33, be approved. Director Blom declared the motion carried by a vote of all Directors present.

DISBURSEMENT ACCOUNT PAYMENTS

Moved by Director Campbell, seconded by Director Byrd, that disbursement account payments for the month of October, in the amount of \$3,960,693.32, be approved. Director Blom declared the motion carried by a vote of all Directors present.

WIRES

Moved by Director Campbell, seconded by Director Byrd, that wire transfers for the month of October, in the amount of \$41,961,607.75, be approved. Director Blom declared the motion carried by a vote of all Directors present.

President Mensinger returned to the Board room at 9:07 a.m.

PUBLIC INPUT FOR THE GOOD OF THE DISTRICT

Robert Frobose mentioned that he would like to propose an Ad Hoc Committee be formed to explore all of the different ways we can provide affordable electricity to the customers in our community. He also said others around us have to pay more for their electricity than we've had to.

Lee Ogle, retired Modesto resident, commented on having to pay more money, but has not had a raise in the last 15 years. He does not qualify for any discount programs that MID offers and cannot afford a rate increase.

Erika Durrer, Farmer and MID rate payer, thanked Directors Gilman, Mensinger and Campbell for their service to MID and congratulated the newly elected Board members. She thanked the Board for making the Farmer to Farmer Program permanent this year and asked if staff has begun looking at

the 2023 Season and preparing potential scenarios on what irrigators could expect for their allocations, if this is a drought or drier than normal year.

Doug Maner, Riverbank residential rate payer, explained why he is requesting the Board defer several important decisions (Rate increase and the Tuolumne River Voluntary Agreement), they have before them today until the new incoming Board has time to research these issues.

PUBLIC HEARING REGARDING MODESTO IRRIGATION DISTRICT'S COST OF SERVICE STUDY AND ELECTRIC RATES

President Mensinger opened the hearing at 9:20 a.m.

Jimi Netniss, AGM of Finance and Treasurer, said that teamwork is one of MID's core values and thanked the team of individuals who worked together on this extensive presentation and worked hard in getting the message out to our larger accounts. Netniss discussed the transparency and timing involved with this presentation. The District began budget policy workshops in August of this year. Information on expenses were provided through detailed budget reports and were reviewed during the budget workshops leading to today's presentation.

Michael Colantuono, outside Counsel to the District with expertise in rate making explained how Government receives money: taxes, which voters need to approve; assessments, which property owners need to approve; and fees – most of which government has the power to impose with approval from property owners or voters. He explained why today's proposed rate increase does not require an election like the sales tax measure in the City of Modesto did. Colantuono further explained the public hearing format.

Jimi Netniss said this hearing was noticed 30 days in advance, in the local and major newspapers and on MID's website. Prior to that, bill inserts were sent out about the 2023 Budget, District finances, and some of the challenges we face. This information was also shared through social media. MID has not raised rates in 10 years and it is MID's goal to provide stable and predictable rates. MID strives to comply with Board-adopted Financial Policies that are targets that we aim to hit that show the financial community that we are able to pay our bills and it rolls into a favorable credit rating and in turn helps us to borrow at a lower cost. Netniss reviewed the 2023 Budget Drivers, with Power Supply being the biggest slice of the budget; the second largest is the O&M, the ongoing cost to keep the lights on; and the smaller slices of the budget are Debt Service and Capital. If Labor & Benefits were part of this chart, it would be less than 20 percent of the budget. Natural gas prices shot up to over \$10 MMBtu, which is almost double what they were in 2021. Netniss explained that MID has taken several actions to mitigate these increased costs.

Bill Monson, MRW & Associates, explained how he was able to take the overall 2023 Budget and divide it up into three Business Lines by looking at four major cost centers: O&M and Power Supply Costs, Capital Expenditures and Debt Service, and Value provided by Irrigation to Electric and Non-Rate Revenues. The summary of the results for net revenue increase required for Electric is approximately \$28M; the net revenue increase for Irrigation is \$799,661, and no revenue increase for Domestic Water.

Mark Beauchamp, President of Utility Financial Solutions, provided the background of his company. Beauchamp explained the purpose of a Cost of Service Study and the results of the Study determine the cost of providing service to each class of customers, and the projected revenue from each class, and to assist in the design of electric rates for customers. The objective is to try to minimize rate impacts on customers. He reviewed the Electric Cost of Service Study prepared for MID and said the total overall rate adjustment that is needed after application of the discretionary revenue is 7.4 percent. He explained that rate design is to move toward the cost of service but minimize as much as possible a rate shock on customers. Beauchamp then reviewed proposed rate increases for years one and two.

Netniss provided a recap of MID's rate history and explained that over the last 10 years, TID, SMUD and PG&E have all had rate increases. However, MID rates have remained flat to steady due to aggressive cost mitigation and financial performance which has led to no rate increases in 10 years. He reviewed commodity price increases with inflation over the last 10 years and spoke about MID's debt reduction which has been decreased by \$422M during that same time period. The proposed rate increase for 2023 is a 7.4 percent and a 3.5 percent rate increase for year 2024.

After Board questions of the presenters, President Mensinger invited public comment.

The following members of the public spoke: Katherine Borges, Erika Durrer, Lee Ogle, and John Herrick.

The staff and consulting team addressed questions posed during public comment, including whether the Board could adopt rates and then revisit them. Mr. Colantuono explained that the Board can always lower rates and can raise them after notice, but may wish to be careful not to lower rates or fail to raise them when necessary, without a financial justification. If the District communicates to its creditors that it is not willing to make the hard decisions to maintain the District's credit-worthiness, it will pay a price in the form of a lower credit rate and increased borrowing costs.

RECESS/RECONVENE

At 10:30 a.m., the Board of Directors recessed the meeting. It reconvened at 10:35 a.m.

Public Comment continued with the following members of the public providing comments: Janice Keating, Emerson Drake, and Mr. Bucannon.

President Mensinger closed the public hearing at 11:00 a.m. and the Board deliberated.

MOTION

A motion was made by Director Campbell, to adopt the Cost of Service Study and its findings and to adopt changes to the 2023 and 2024 Electric Rates, effectively as January 1, 2023 to a 7.4 percent increase and in 2024 an increase of 3.5 percent. It was seconded by Director Blom. The motion remained on the floor.

There were additional comments by Board members.

RESOLUTION 2022-47
ADOPTING MODESTO IRRIGATION DISTRICTS COST OF SERVICE STUDY REPORT
AND ACCOMPANYING ELECTRIC RATE SCHEDULES

WHEREAS, staff presented its report to the Board of Directors at a duly noticed Public Hearing on November 15, 2022, on the Electric Cost of Service Study and Expense and Revenue Allocation Study as part of a broader study of the cost of service for all of MID's lines of business and an opportunity was provided for the public to comment on the proposed Study; and

WHEREAS, the District's Board of Directors has considered the Study and all of the accompanying Electric Rate Schedules and all comments on the proposed Electric Rate Schedules.

NOW, therefore, BE IT RESOLVED, That the Board of Directors of the Modesto Irrigation District does hereby approve the Modesto Irrigation District's Electric Rate Schedules as attached hereto effective January 1, 2023.

NOW, therefore, BE IT ALSO RESOLVED, That the Board of Directors of the Modesto Irrigation District does hereby approve the Modesto Irrigation District's Electric Rate Schedules as attached hereto effective January 1, 2024.

Moved by Director Campbell, seconded by Director Blom, that the foregoing resolution be adopted.

The following roll call vote was had:

Ayes: Directors Blom, Byrd and Campbell

Noes: Directors Gilman and Mensinger

Absent: Director None

President Mensinger declared the resolution adopted.

TUOLUMNE RIVER VOLUNTARY AGREEMENT PRESENTATION

Gordon Enas, AGM of Water Operations, presented an update on the Tuolumne River Agreement. Here are some history and key points regarding the agreement:

- December 12, 2018, the State Water Resources Control Board (SWB) adopted Phase 1 of the Bay-Delta Water Quality Control Plan and Final Substitute Environmental Document (SED).
- Plan included new and revised numeric flow and water quality objectives for the Lower San Joaquin River (LSJR): Stanislaus, Tuolumne and Merced Rivers.
- SWB and the Governor encouraged ongoing negotiations to achieve voluntary agreements (VA): flow and non-flow measures that would meet or exceed the new and revised standards in the water quality control plan.
- Over the last few years, MID along with the Tuolumne River Partners - Turlock Irrigation District (TID), City and County of San Francisco (CCSF), have actively pursued a VA with the State.
- March 29, 2022 –A Memorandum of Understanding (MOU) and term sheet was developed with several State agencies along with State and Federal Water Contractors and many Sacramento Valley Water Agencies.

- August 31, 2022 – Tuolumne River Partners reached an agreement in principle with the State that would allow MID, TID and CCSF to become signatories to the March 2022 MOU.
- November 9, 2022 – State and Tuolumne River Partners finalized and signed the Tuolumne River Addendum to the March 29th MOU and term sheet. By signing the MOU, MID, TID, and CCSF will now be able to participate in negotiations to develop a detailed, Tuolumne-specific voluntary agreement, subject to approval by the SWB, that would implement the Bay-Delta Plan Update.
- Any final VA will be reviewed and approved by MID Board.

Board Comment:

Director Blom asked if there was anything regarding water hyacinth's removal on the river's improvement side. Enas responded.

Public Comment:

The following public commented regarding the update: Katherine Borges, Lee Ogle, and Peter Drekmeier.

RESOLUTION 2022-48
APPROVING THE FILING OF THE NOTICE OF COMPLETION OF THE DRAFT
PROGRAMMATIC ENVIRONMENTAL IMPACT REPORT FOR THE
MODESTO IRRIGATION DISTRICT COMPREHENSIVE WATER RESOURCES MANAGEMENT PLAN WITH
THE STATE CLEARINGHOUSE AND RELEASING PUBLICATION OF THE
NOTICE OF AVAILABILITY FOR A PUBLIC REVIEW PERIOD

WHEREAS, the Modesto Irrigation District (MID) Water Operations Department has prepared a Comprehensive Water Resources Management Plan; and

WHEREAS, the proposed Comprehensive Water Resources Management Plan must undergo a California Environmental Quality Act (CEQA) review; and

WHEREAS, the formal initiation of the CEQA review process requires providing public notice of the intent to prepare a Draft Programmatic Environmental Impact Report (PEIR); and

WHEREAS, on August 28, 2018, the Board approved the release of the Notice of Preparation (NOP) of the Draft Programmatic Environmental Impact Report by Board Resolution 2018-49; and

WHEREAS, the Draft Programmatic Environmental Impact Report has been completed and is ready to proceed to the next step of CEQA compliance, which requires filing a Notice of Completion (NOC) with the State Clearinghouse and Public Notification of Availability (NOA) of the Draft PEIR for a 45-day public review period.

NOW, THEREFORE BE IT RESOLVED, That the Board of Directors of the Modesto Irrigation District does hereby approve the filing of the Notice of Completion of the Draft Programmatic Environmental Impact Report for the Modesto Irrigation District Comprehensive Water Resources Management Plan

with the State Clearinghouse and releasing publication of the Notice of Availability for a public review period.

Moved by Director Blom, seconded by Director Byrd, that the foregoing resolution be adopted.

The following roll call vote was had:

Ayes: Directors Blom, Byrd, Campbell, Gilman and Mensinger

Noes: Director None

Absent: Director None

President Mensinger declared the resolution adopted.

RESOLUTION 2022-49
APPROVING THE CALIFORNIA DEPARTMENT OF WATER RESOURCES
EMERGENCY GENERATION PROJECT

WHEREAS, the State of California (State) has experienced energy capacity shortfalls in recent years and has enacted legislation to address the energy capacity shortfalls; and

WHEREAS, the California Department of Water Resources (CDWR) has been tasked with developing new emergency generating capacity pursuant to recently enacted State legislation; and

WHEREAS, the near-term focus of the District is to develop or procure local sources of generating capacity; and

WHEREAS, the generation developer, Enchanted Rock, in coordination with CDWR is interested in developing a new generation project on land owned by the Modesto Irrigation District (District) and adjacent to District's Claribel Substation (Claribel Site); and

WHEREAS, District staff has coordinated with Enchanted Rock and CDWR to determine the feasibility of interconnecting a 48 Megawatt project (Facility) at the Claribel Site; and

WHEREAS, on October 11, 2022, the Modesto Irrigation District Board of Directors authorized District staff to negotiate agreements in accordance with a negotiated term sheet outlining the overall rights, responsibilities, and economic concepts for developing and operating such a Facility at the Claribel site; and

WHEREAS, staff has negotiated a Site Use and Services Agreement with Enchanted Rock which includes an Option Agreement with CDWR that grants the District the right to purchase the generating facility at the District's sole option; and

WHEREAS, the Site Use and Services Agreement will generate annual revenue for the District; and

WHEREAS, an Asset Transfer Agreement will be developed to document the terms and complete the transfer of ownership of the MID-owned generator step-up transformer being installed at the project; and

WHEREAS, other agreements, to be developed as needed, such as an interconnection agreement and an energy services agreement, are contemplated in the Site Use and Services Agreement.

BE IT RESOLVED, That the Modesto Irrigation District Board of Directors does hereby authorize the General Manager to negotiate, finalize, execute, administer and maintain the Site Use and Services Agreement, the Option Agreement, an Asset Transfer Agreement, and all other agreements and documents associated with the installation, maintenance and operation of the CDWR emergency generation project.

Moved by Director Campbell, seconded by Director Gilman, that the foregoing resolution be adopted.

The following roll call vote was had:

Ayes: Directors Blom, Byrd, Campbell, Gilman and Mensinger

Noes: Director None

Absent: Director None

President Mensinger declared the resolution adopted.

ANNOUNCEMENTS BY BOARD MEMBERS

Director Campbell said it's been his honor to serve on this Board. The staff and management of Modesto Irrigation District has been fantastic in helping him, as a young Director, in learning and throughout his entire experience and the men and women are some of the finest people he had the opportunity to work with. He also thanked his constituents in Division 3 for the confidence they placed in him over these years.

President Mensinger echoed the comments made by Director Campbell. It has been a great honor and pleasure to serve as an MID Director for 9 years. It has been one of the most important experiences of his life. He also thanked the outgoing Directors, Stu Gilman and Paul Campbell for their great work, they are honorable, hardworking men and he also thanked past Director, Jake Wenger. He wished the new oncoming Directors well and further commended Nick Blom and Larry Byrd for their long and dedicated service to MID. He thanked everyone for making this a wonderful place to work and a wonderful asset for our community.

Vice President Gilman echoed the comments of both Campbell and Mensinger. He thanked Ed Franciosa and staff and said it's been a wonderful opportunity to work with them and a life changing experience for him. He looks forward to the next season, this will truly be one of the best experiences he has ever had. He wished the new Board well.

Ed Franciosa, General Manager, said he also appreciated working with all three of the outgoing Directors. He enjoyed having discussions with them and in his opinion, they have done a great job for the District, the employees, rate payers and the community at large.

GENERAL MANAGER UPDATE

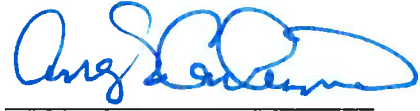
There were none.

FUTURE BOARD MEETINGS

President Mensinger announced the next scheduled Board meetings are December 2 at noon for a Swearing in Ceremony and December 13, 2022.

ADJOURN

There being no further business, the meeting was adjourned at 12:05 p.m.



Board Secretary