

**MERCED IRRIGATION DISTRICT**  
**APPROVED MINUTES**  
**REGULAR MEETING**  
**January 19, 2010**

The Board of Directors of the Merced Irrigation District met on the above date, pursuant to notice, at 9:00 A.M. in the City Council Chambers. Roll call showed the following Board members present:

|            |   |
|------------|---|
| Directors: | <b>Tim Pellissier</b> <i>Division 1</i>                                   |
|            | <b>Gino Pedretti</b> <i>Division 2</i>                                    |
|            | <b>David Long</b> <i>Division 3</i>                                       |
|            | <b>Suzy Hultgren</b> <i>Vice President/Secretary</i><br><i>Division 4</i> |
|            | <b>Wil Hunter</b> <i>President - Division 5</i>                           |

The following were also present:

|   |                    |
|---|--------------------|
| General Manager   | John Sweigard      |
| Deputy General Manager                                    | Hicham Eltal       |
| AGM Regulatory Compliance &<br>Government Affairs (Water) | Geoffrey Rabone    |
| AGM Engineering and Operations<br>Energy Resources        | Steve Dunn         |
| Chief Financial Officer                                   | Andre Urquidez     |
| General Counsel   | Kenneth M. Robbins |
| Recording Clerk   | Cheryl A. Miller   |

President Hunter led the pledge of allegiance to the flag.

**BUSINESS FROM THE FLOOR**

Mr. David L. Gonzalves of 9859 N. Buhach Rd., Winton, CA addressed the Board regarding a community pipeline issue. He asked the Board to act on a resolution to this issue. He stated that Lateral 7 is the only source of irrigation water to his land. He stated he purchased this land from the Department of Water Resources Reclamation Board and irrigation rights to Lateral 7 were included in said purchase. He requested Lateral 7 be restored and all rights thereof to his land.

President Hunter congratulated and welcomed new General Manager John Sweigard and expressed the Board's support as well as District employees.

**CONSENT CALENDAR**

President Hunter presented Board meeting minutes of January 5, 2010; Payment of Bills for January 19, 2010; Disbursement Requests 18, 26 and 27; Reports of the Treasurer for October and November 2009; and Out-of-State Travel Request 2010-1. On motion of Director Long, seconded by Director Pedretti, the Board unanimously approved the consent calendar.

**COMMENTS BY BOARD SECRETARY/MEMBERS**

None

**REPORT OF THE GENERAL MANAGER**

General Manager Sweigard stated he looks forward to facing the District's challenges with the Board and staff. He stated he is working with senior staff to structure a budget to present at the February 16 Board meeting.

**REPORT OF THE DEPUTY GENERAL MANAGER**

Deputy General Manager Eltal requested the Board consider the claim of Nathan Mininger of Atwater (Minger Farms) in an amount to be determined in excess of \$25,000 for damages resulting from a break in the McCoy Lateral. He stated that on June 1, 2009, the McCoy Lateral broke and flooded 12.5 acres of sweet potatoes on the subject property. He stated the break occurred in a concrete lined section of the lateral south of Westside Boulevard.

Mr. Eltal stated that due to the uncertainty of the damage claim, the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) can be engaged to properly assess the value of the claim. He stated that in order to engage ACWA/JPIA, the Board is required to deny the claim.

President Hunter requested timely notification when incidents of this nature occur. Mr. Eltal stated staff intends to inform the Board and begin the risk management process earlier on future potential claims. On motion of Director Pellissier, seconded by Director Long, the Board unanimously denied the claim as recommended.

Mr. Eltal requested the Board consider adoption of Resolution No. 2010-2 granting Home Depot U.S.A., Inc. (Home Depot) a Quitclaim Deed to the blanket water rights over their commercial development in the city of Atwater. Mr. Eltal introduced Senior Engineer Bryan Kelly.

Mr. Kelly stated the Applegate Commercial Center, Applegate Ranch project, was presented to the Board at its February 6, 2007, meeting. He stated that, at the time, the entire project was owned by Regency Centers, L.P. (Regency Centers). He stated Home Depot has since purchased an 11.5 acre parcel from Regency Centers. He described the project area.

Mr. Kelly stated that MID staff has been contacted by attorney's David Barron of Cassidy Shimko Dawson Kawakami, and Deirdre Dawson of Sedgwick, Detert, Moran & Arnold LLP, representing Home Depot. He stated Mr. Barron is requesting MID quitclaim the blanket water rights over their property, evidenced by the Mitchell Agreement - recorded May 25, 1885 in Book 1 of Water Rights, Page 86 Merced County Records.

Mr. Kelly stated that all of the items previously agreed to by the Board have been satisfied by Regency Centers, except the installation of the Atwater Drain pipeline assembly. He stated MID retains an irrevocable letter of credit from Wells Fargo, on behalf of Regency Centers, to act as surety for the remaining pipeline assembly required by an executed Deferment of Construction Agreement. He stated the trigger for implementation of said Deferment of Construction Agreement has not yet occurred. However, he stated, since the February 6, 2007, Board meeting, MID staff has been in negotiations with City of Atwater staff regarding quitclaiming MID's interest in the Atwater Drain, the Parreira Drain, and the Frago Lateral (non-existent) - generally from the Union Pacific Railroad southerly to the southerly right-of-way line of Atwater Jordan Road. He stated that Regency Centers has hired a private engineering firm to prepare this document. He stated that staff will return to the Board in the future, under a separate item, with a proposed action. Mr. Kelly stated that Home Depot is interested in selling the subject parcel and this Quitclaim is necessary to clear title.

On motion of Director Pellissier, seconded by Director Pedretti, the Board unanimously adopted Resolution No. 2010-2 granting Home Depot U.S.A. Inc., a Quitclaim Deed to the blanket water rights as discussed, which reads as follows:

## MERCED IRRIGATION DISTRICT


### RESOLUTION NO. 2010-2

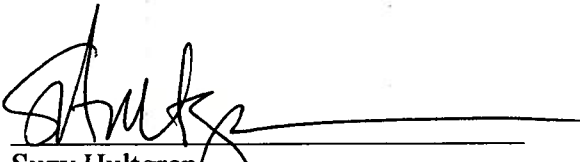
#### RESOLUTION OF CONVEYANCE OF QUITCLAIM DEED

**RESOLVED** that the Quitclaim Deed dated January 19, 2010, by Merced Irrigation District to Home Depot USA, Inc., a quitclaim of some right, title and interest in a parcel of real property in Merced County, and the same is hereby conveyed by this Board, and that said Quitclaim Deed be recorded in the Office of the Recorder of Merced County.

**PASSED AND ADOPTED** by the Board of Directors of Merced Irrigation District this 19th day of January 2010, by the following vote:

Ayes: Directors: Hunter, Hultgren, Long, Pedretti, Pellissier  
 Noes: Directors: None  
 Abstain: Directors: None  
 Absent: Directors: None

  
 William E. Hunter  
 President  
 Merced Irrigation District

  
 Suzy Hultgren  
 Secretary  
 Merced Irrigation District

Mr. Eltal reviewed the Merced River Development Project Water Statistics Report. He reported that as of January 14, 2010, Lake McClure elevation is 748.37 feet compared to 695.81 feet in 2009, storage is 410,054 acre feet (AF) versus 252,525 AF in 2009 and inflow is 513 cubic feet per second (CFS) compared to 374 CFS in 2009. He reported precipitation as of January 14, 2010, was 4.62 inches or 91% of average. He stated precipitation is now above average at 5.55 inches. He reported that although inflow for October through December was below average, storage as of January 14, 2010, is 410,100 AF or 83% of average.

Mr. Eltal reviewed the snow sensor water content data measured in inches, as follows:

| <u>Station</u> | <u>Elev. (ft.)</u> | <u>1/15/2009</u> | <u>1/15/2010</u> | <u>Apr. 1 Avg.</u> | <u>% Apr. 1st</u> |
|----------------|--------------------|------------------|------------------|--------------------|-------------------|
| Gin Flat       | 7050               | 8.12 (31.9)      | 9.56 (28.3)      | 34.2               | 22%               |
| Tenaya Lk      | 8150               | 11.51 (NA)       | 12.96 (NA)       | 33.1               | 32%               |
| Ostrander      | 8200               | ---              | 11.80 (40.6)     | 34.8               | 24%               |

Note: Snow depth shown in parenthesis

Mr. Eltal reported that the California/Nevada River Forecast Center predicts the most probable April through July 2010 Merced River, Merced Falls runoff at 580,000 AF. Based on this forecast, he reviewed reservoir operations for the 2010 Irrigation Season with the following assumptions: no curtailment; 2010 Irrigation Season from March 15 through October 15; sphere of influence irrigation deliveries through July 15; pumping at 13.0 thousand acre feet (TAF) (MID base); no water transfers; Vernalis Adaptive Management Plan (VAMP) transfers at 47.3 TAF; October San Joaquin River Agreement (SJRA) transfers at 12.5 TAF; and end of October 2009 storage of 412,200 AF.

Mr. Eltal reviewed a Lake McClure storage forecast chart with end-of-month storage from September 30, 2009, through October 13, 2010. In addition to lake storage, the chart showed the 580,000 AF April through July runoff scenario, rain flood and conditional space storage reserve, minimum pool, 43-year average storage and the top of the old dam. He reviewed a Lake McClure end of month October storage comparison from 1966 through estimated 2010.

Mr. Eltal reported that the National Weather Service is forecasting below normal temperatures through January 24 and precipitation above average in California. He stated the U.S. Seasonal Drought Outlook is showing slight improvement.

Mr. Eltal reported that the Global Climate Center precipitation forecasts are as follows:

|                  |                     |
|------------------|---------------------|
| Month of January | 105-131% of average |
| February         | 93-118% of average  |
| March            | 75- 97% of average  |

Mr. Eltal reported that staff is working with the Department of Water Resources (DWR) to salvage a \$0.5 million grant to develop a high resolution groundwater model. He reported staff is also pursuing a \$1 million grant for an Integrated Regional Water Management Plan and is in the process of establishing and defining a region acceptable to DWR.

Mr. Eltal reported that the proposed Exchequer Spillway Modification Project has affected other planned Parks improvements, such as the approved \$2.5 million grant from the Department of Boating and Waterways (DBAW) for McClure Point Boat Ramp Improvements. He stated staff has responded to DBAW and explained the District's position regarding the affected improvement projects.

Mr. Eltal reported on the progress of the United States Bureau of Reclamation (USBR) grant for improvements on the Garibaldi and McCoy Lateral systems. Mr. Eltal stated that due to limited staff time, USBR will not be able to complete the National Environmental Policy Act (NEPA) process for the project and will delegate that effort to MID, with the proper reimbursement mechanism.

**REPORT OF THE AGM REGULATORY COMPLIANCE & GOVERNMENT AFFAIRS  
(WATER)**

AGM Rabone reported two fatalities within the Hydroelectric Project area. He reported a suicide at the McClure Point Recreation facility and a drowning at Lake McClure. He stated both incidents were reported to the Federal Energy Regulatory Commission (FERC) and local authorities.

Mr. Rabone reported that two draft study plans were filed recently with regulatory agencies. He stated the study plans were coordinated with Pacific Gas and Electric Company. He stated a two week review and comment period is required before filing with FERC for approval.

Mr. Rabone reported on various meetings including Cowell Agreement Diverters on place of use matters; a FERC relicensing presentation to the Rotary Club; and an upcoming Parks Committee meeting regarding revisions to houseboat policies.

Mr. Rabone reported that Hydroelectric Project Manager Anthony arrived safely in Ljubljana, Slovenia on January 17 to witness the testing of the runner. He stated Mr. Anthony plans to depart for his return trip on January 28.

President Hunter recognized Mr. Jeff Marchini, the new Farm Bureau President, and former Director Pimentel in the audience.

**AGM ENERGY RESOURCES ENGINEERING AND OPERATIONS**

AGM Dunn requested the Board consider adopting proposed revisions to the Electric Service Rules. He stated that these proposed revisions do not address line extension allowance and acknowledged this is an area of concern for the Board.

Mr. Dunn reviewed a summary of the Committee's proposed changes, some of which include various language changes, the addition of definitions and service area maps, changes to temporary service, and issues relating to installation and removal of services. Mr. Dunn explained that the document will continue to be revised as needed. He stated this is the first revision in quite some time, and the most extensive to date. On motion of Director Long, seconded by Director Pellissier, the Board unanimously approved the proposed Electric Service Rules as recommended.

Vice President Hultgren stated staff met with her recently to review the rules and that although there remain some areas that need to be addressed, she supports approval at this time. She thanked staff for their time and patience.

Mr. Dunn reported that the Pioneer Substation rental back up transformer is installed. He reported the repairs and testing of the permanent back up transformer are estimated at about \$86,000. He stated this cost is well within the previously authorized budget. He stated the unit should be back by mid to late February, followed by removal of the rental and reinstallation of the permanent transformer.

Mr. Dunn reported there were no outages during the most recent storm.

Mr. Dunn reported that staff is working with property owners on easement issues relating to the G Street Tie Project. He stated once the easement issues are resolved staff will solicit bids.

**REPORT OF THE CHIEF FINANCIAL OFFICER**

CFO Urquidez requested the Board consider adoption of Resolution No. 2010-3 approving signatory authority for the District's various banking and investment accounts in conjunction with changes to Board officers and the addition of the General Manager. On motion of Director Pedretti, seconded by Director Pellissier, the Board unanimously adopted Resolution No. 2010-3 approving signatory authority as recommended, which reads as follows:

# MERCED IRRIGATION DISTRICT

## RESOLUTION NO. 2010-3

### SIGNATORY AUTHORITY OVER ALL DISTRICT BANKING AND INVESTMENT ACCOUNTS

**WHEREAS**, there have been recent organizational changes with respect to the District Board of Directors and management; and

**WHEREAS**, William E. Hunter has replaced Tim Pellissier as President of the Board of Directors and Suzy Hultgren has replaced Jack Hooper as Vice President/Secretary of the Board of Directors; and

**WHEREAS**, John Sweigard has been appointed General Manager; and

**WHEREAS**, the District maintains several banking accounts into which District revenue and reserves are deposited and from which expenditures are drawn; and

**WHEREAS**, it is necessary for the District to update signatory authority over such accounts; and


**WHEREAS**, the District maintains an investment account with the California State Treasurer's Office pool fund known as the Local Agency Investment Fund (LAIF) to which the District transfers certain reserves. Deposits from this account can only be made to or from other District accounts and not to outside parties.


#### **NOW THEREFORE, BE IT RESOLVED,**

1. Any two, acting together, of the following individuals, effective January 5, 2010, shall have signatory authority over all District banking and investment accounts except the District's account with LAIF:
  1. President, Board of Directors, William E. Hunter
  2. Secretary, Board of Directors, Suzy Hultgren
  3. General Manager, John Sweigard
  4. Chief Financial Officer/Treasurer, Andre A. Urquidez
  5. Deputy General Manager, Hicham Eltal
  
2. Because all LAIF account withdrawals may only be made by transfer to a designated District account, access to which is controlled as set forth above, the following individuals, effective January 5, 2010, shall have transfer signatory authority over the District's LAIF account, acting singularly:
  1. General Manager, John Sweigard
  2. Chief Financial Officer/Treasurer, Andre A. Urquidez
  3. Deputy General Manager, Hicham Eltal

**PASSED AND ADOPTED** by the Board of Directors of the Merced Irrigation District this 19th day of January 2010, by the following vote:

Ayes: Directors: Hunter, Hultgren, Long, Pellissier, Pedretti  
 Noes: Directors: None  
 Abstain: Directors: None  
 Absent: Directors: None

  
 \_\_\_\_\_  
 William E. Hunter  
 President  
 Merced Irrigation District

  
 \_\_\_\_\_  
 Suzy Hultgren  
 Secretary  
 Merced Irrigation District

Mr. Urquidez reported staff is coordinating the annual bondholders conference call as well as a rating agencies conference call. He also reported receipt of a letter notification that a \$9 million Clean Renewable Energy Bond (CREB) allocation was reduced to \$4.9 million.

President Hunter noted that a charge to former AGM Carroll's credit card for December was reported on the disbursement report. He requested Mr. Urquidez determine who is using this card.

### EXECUTIVE SESSION

At 10:10 A.M. President Hunter called for an executive session.

General Counsel Robbins stated the executive session was agendaized to be held at the District's Headquarters office at 744 W. 20th Street, Merced, CA and that the meeting will thereafter be adjourned from that location.

Mr. Robbins stated there are two items for executive session. He stated the first is to confer with the General Manager and General Counsel to give direction regarding potential and/or existing litigation. He stated authority for this action is under Government Code Section 54956.9. He stated this item relates to Delta and FERC cases.

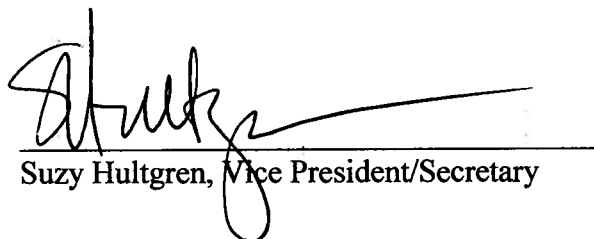
Mr. Robbins stated the final item is to confer with the General Manager and General Counsel to give direction regarding personnel matters. He stated authority for this action is under Government Code Section 54957.

At 10:20 A.M. President Hunter convened the executive session with all Board members present.

At 11:56 A.M. President Hunter reconvened the meeting into regular session with all Board members present.

At 11:57 A.M. on motion of Director Pedretti, seconded by Vice President Hultgren, the Board unanimously adjourned the meeting.

The next regularly scheduled Board of Directors meeting is Tuesday, February 2, 2010, at 9:00 A.M.

  
Suzy Hultgren, Vice President/Secretary

APPROVED:

  
William E. Hunter, President