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FOR IMMEDIATE RELEASE

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New Merced I.D. Bond Receives Moody's Rating

Merced, California. The Merced Irrigation District has announced that its \$5 million capital improvement bonds, scheduled for issue on Thursday, February 28, by Sutter Securities Incorporated of San Francisco, have been rated Baa-3 by Moody's Investors Services of New York.

According to Frank Soriano, president of Sutter Securities, a Moody's investment grade rating for a new utility bond issue is difficult to achieve since the advent of the energy crisis of 2000. "Merced I.D. has really earned this rating," said Soriano. "The District was able to make all the right moves and adjustments over the past 18 months to put it into a strong position."

Soriano stated that one of the reasons the District received its current rating from Moody's was that the District's projected cash flow showed that its net revenues were twice the debt service. Soriano, a native of Los Banos, has provided underwriting service for the District's bond issues since 1993, but first became familiar with District operations in 1964 when he worked on the bond issue for construction of the New Exchequer Dam at Lake McClure. The District has had six subsequent bond releases including the \$57 million refunding issue in February 2001.

Ross Rogers, General Manager of Merced I.D., noted that the District faced many of the same problems other California utility companies experienced during the energy crisis. "Our staff did a good job of negotiating long term contracts with our energy suppliers as well as hedging our position in the market. The net effect is we've reduced our future costs, which will benefit our electrical customers. An important element of our evolving success is the strong commitment and support that the District's Board of Directors have demonstrated in the development of the Electric Project since its inception in 1995."

Merced I.D.'s Assistant General Manager for Energy Resources, Garith W. Krause, said that the proceeds from the current bond issue would allow the District to continue to develop and expand its growing electrical system. "We'll use the funds for line extensions, additional hook ups, modifications for substations, and development of new commercial projects and residential subdivisions in our service area."

Krause observed that the District's Electrical Services division currently provides service in the city and urban areas of Merced, Atwater and Livingston. The District has 75 megawatts of connected load, serving over 1,000 customers and has contracts to provide electrical service for an additional 2,500 new residential units.

"As the major local publicly-owned electric utility in Eastern Merced County, our core focus has been providing reliable electricity with outstanding customer service throughout the region – a concept that has been validated by our ability to attract many new, large commercial and residential customers, Krause stated."

Krause said that individuals desiring more information about the new Merced Irrigation District bonds should call Joe DuCote at Sutter Securities. DuCote can be reached toll free at 1-800-568-2372.

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Background

The Merced Irrigation District began generating and selling wholesale electricity in 1927 and expanded to the retail market in 1996. It is the 25th largest utility in California out of a total of 47. The District has built its distribution system and maintains its own transmission lines and substations. The District also utilizes its own equipment and personnel in providing installation and maintenance services for its customers. The District provides retail electrical services to Eastern Merced County including the cities of Livingston, Atwater and Merced as well as Castle Airport and Aviation Development Center. A 34-mile transmission loop, completed in 1998, offers complete back-up capability to these customers, reducing the risk of prolonged outages. Merced I.D. also sells electricity generated at its New Exchequer Hydro-electric power plant, under a long-term contract expiring in 2014, to PG&E.