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**FOR IMMEDIATE RELEASE**

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### **Merced I.D. Taps Expertise, Resources of Nationwide Power Management Company**

MERCED, Calif. – The Merced Irrigation District has agreed to retain the services of a nationwide power management company to assist the District in its plans to provide low-cost retail electric power to eastern Merced County.

A key component of this agreement is \$25 million in credit that will provide MID with the short-term financing needed to construct its power distribution systems.

The Merced Board of Directors today unanimously approved a five-year agreement with Power Resource Managers L.L.C., (PRM), which has offices in Ontario, Calif., and Bellevue, Wash. PRM provides power management and electric services to electric utilities, industrial electric consumers, municipalities and state agencies across the country.

Merced has been providing retail electric power since May 1996, and recently received approval from the City of Livingston to build a power distribution system for the area. A larger system to serve the Atwater/Merced area is currently undergoing an extensive environmental review.

"We are expecting to see a steady increase in customers during the next year," said Garith Krause, Merced Irrigation District Assistant General Manager for Electric and Financial Services. "PRM has the expertise to assist us in these efforts, ensuring that Merced continues to provide low-cost power and reliable service to our customers. They bring years of experience to our team."

PRM will provide Merced power management, engineering and marketing services. The agreement calls for PRM to seek out and acquire low-cost power supplies for Merced.

Although Merced generates its own hydroelectric power, it is under contract to PG&E until the year 2014.

The District is currently purchasing power from the Modesto Irrigation District, but may soon need to find additional power sources in order to fully utilize the 75-megawatt fee exemption Merced Irrigation District has been granted by the State Legislature. This law allows Merced to sell up to 75 megawatts of power to customers who will not have to pay competitive transition charges to PG&E.

"As we continue to grow as a retail electric service provider, our demands for power will steadily increase. PRM will be able to find us reliable and low-cost power to meet these demands," Krause said. "This will allow us to pass savings onto the consumer."

In fact, PRM's peak scheduling load is nearly 1,000 MW, making it among the largest non-utility power schedulers in the country.

Through PRM's parent company, Howard Energy Co., Inc., Merced will take advantage of financing to proceed with construction of 115 kilo-volt and 12.5 kilo-volt facilities.

"This gives us an opportunity to develop the best public financing we can after initiating our project," Krause explained. "Again, this will mean lower expenses, resulting in reduced power costs for our customers."

A percentage of the fees that will be paid to PRM for its services will be incentive-based, and tied to PRM's success in marketing and power acquisition. For example, power management compensation will be based on actual energy sold, and marketing compensation will be based on actual monthly energy sales.

"By providing payment based on incentives, Merced will only be paying for services that bring revenue to the District," Krause said.

Ross Rogers, Merced's General Manager said, "Today's Board action will complement our important ongoing contracts with our northerly neighbor, the Turlock Irrigation District (TID). With its outstanding reliability track record, TID will provide Merced's customers with quality electrical operations and maintenance services."

Merced also has a long-term contract with TID for the transmission of 100 megawatts of power through Turlock's facilities for delivery at Merced's Pioneer substation in Livingston.

"We now have all the pieces in place to more aggressively move forward with developing and marketing a sound, well-planned and well-financed electric services system to introduce low-cost power to eastern Merced County," Rogers said.