



Imperial Irrigation District

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1999 Annual Report Imperial Irrigation District



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It isn't easy being the largest irrigation district in the nation and having water rights the rest of the world envies. Being the sixth largest electric utility in the state of California and making sure the rapidly growing service area has the future power supply to meet its needs is no cakewalk either. And if that's not challenging enough, try to provide top quality customer service while

contending with changing regulatory and political constraints.

Yet, the Imperial Irrigation District Board of Directors had to wrestle with these and a host of other problems in 1999 as it set the course to take the District into the 21st century. It was not an easy year, but a pivotal one.

It became increasingly clear that the need to work effectively in state and federal arenas often conflicted with IID's priority of providing the best service and rates for its power and water customers. Yet, without a strong presence in the external political areas, IID's ability to serve its customers and to protect the Imperial Valley's water rights would be jeopardized.

After long debate, the Board decided to restructure the District's top management and have a general manager to plan and run District operations as well as an executive officer to concentrate on the issues outside the service area that require Board attention. Both positions report to the Board of Directors.

In March, the Board promoted Jesse Silva to oversee the District's more than 1,100 employees, to focus on customer service and take the necessary steps to equip the District for the future. With Silva and his 27-year tenure at the District, the Board has a man uniquely qualified because of his experience in both water and power.

In October, the Board hired Brad Luckey, a long-time Imperial Valley grower and former member of the Imperial County Board of Supervisors, as IID's executive officer.

Nothing makes the need for the District's dual focus more clear than issues affecting Imperial Valley's water rights and the use of

the Colorado River. In thirsty Southern California the need to conserve water prompted IID to enter a water conservation and transfer agreement with the San Diego County Water Authority in 1998.

To remove roadblocks that threatened to derail the transfer, IID joined negotiations with the U.S. Secretary of the Interior, the California Resources Secretary, the Coachella Valley Water District and the Metropolitan Water District of Southern California to work out an equitable division of Colorado River water.



The year began with strife so ferocious that there was real concern of a water war. However, through extensive negotiations, a Key Terms agreement was drafted to outline a way to divide the river to help all of Southern California meet its long-term water needs while staying within the state's allotment. As part of the agreement, IID agreed to cap its entitlement at 3.1 million acre-feet. IID Directors Lloyd Allen and Andy Horne were active participants in the negotiations

that won high praise from Secretary of Interior Bruce Babbitt.

Power also was a priority, as IID began researching the options for meeting the needs of its growing service area. Preparing for the future is perhaps the most appropriate way to end the 20th century because IID plans to be around for a long time providing the best possible service to its water and power customers.

Bruce Kuhn
BOARD PRESIDENT



Andy Horne
Division 1



Lloyd Allen
Division 2



Donald Cox
Division 3

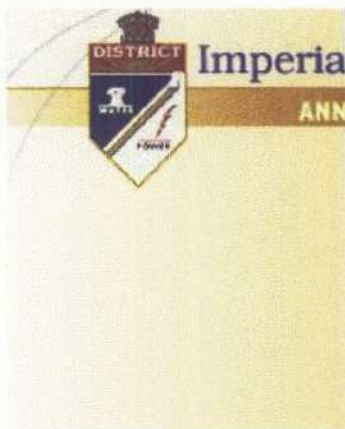


Rudy Maldonado
Division 4

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Alamo & Dahlia Canals

Routing water through pipes in populated areas is not uncommon, even in the Imperial Irrigation District, where irrigation water flows through nearly 1,600 miles of open canals. Piping irrigation water through large plastic pipes, rather than the traditional concrete pipe, is extraordinary just about anywhere in the U.S.

"In the past we were very traditional in the way we handled projects," IID Water Department Manager John Eckhardt said. "Now we just open the technology door and look at everything that's out there. It lets us serve our customers better."

What IID found was plastic pipe, which offers unique advantages in seismically active Imperial Valley because it has more flex than concrete, met tight construction schedules and was cost-effective. The plastic pipe has been used extensively in Europe, but was only recently introduced in California.



Imperial County Sheriff's Department Aero-Squadron pilot

"I know what it's like to be lost...and if I do my part, hopefully we can reunite someone with their loved ones. I'm probably the answer to someone's prayers."

Eddie Lutz

IID Senior Project Manager

In August, IID crews undertook the largest canal-undergrounding project in the District's history using plastic pipe big enough to drive a car through. Using pipe that measures 10 feet in diameter, District crews rerouted and put underground the South Alamo Canal to make way for an industrial development near the new port of entry called the Gateway to the Americas.



It was the second time IID used plastic piping for a large project. The District used another style 5-foot-diameter plastic pipe to underground the Dahlia Canal in Imperial earlier this year. For the Dahlia project, IID crews welded the 60-foot sections of pipe together, dragged 1,500 lineal-foot sections of pipe down the canal bank by tractor and rolled them into position for burying. Pipelining canals in developed areas is a priority for IID. It was particularly important in Imperial where children cross the canal daily on their way to school.

Custom-made plastic pipe for the Dahlia and South Alamo canals allowed IID to reduce costs, construction time and the number of people needed to do the work.



For the Gateway project, IID crews had to dig a 18-foot-deep trench that stretched 1,600 feet long to reroute the South Alamo. The District turned to a pipe called Weholite, which is made of a rectangular tube of

plastic that is wrapped around a form and welded into place.

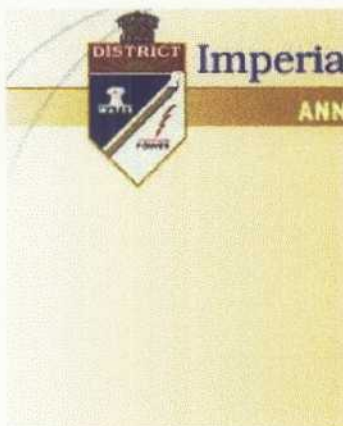
The 40-foot pipe sections, weighing 9,500 pounds each, were lowered into the trench by crane and welded together. Preparing the trench and laying the pipe took nearly two weeks. Later, District crews tapped into the South Alamo and rerouted the water through the pipeline.

The project provided infrastructure improvements and made space for an industrial development that developers say could ultimately create thousands of jobs for the Imperial Valley.

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Power

Meeting the power needs of more than 90,000 customers in one of the harshest 6,471-square-mile service areas known to man is not for the faint of heart. It is, however, the province and pride of the Imperial Irrigation District.

The sixth largest electric utility in California, IID is dedicated to keeping that tradition of service alive in the new millennium's deregulated power market.

"The only way we can survive in the deregulated power environment is to build a relationship with our customers," said Power Department Manager John Steffen. "We have to serve our customers so well that when it comes time to make a choice, there is no choice, they want IID."

In 1999, IID made sure customer service was more than a pretty platitude by installing more than \$30 million in system upgrades and starting the difficult process of meeting future power needs. It also found new ways to serve customers - by selling power to Mexico and by putting in place the infrastructure needed for what ultimately will be the largest plasterboard manufacturer in the world.

"With deregulation, we need to keep flexibility," Steffen said. "If we want options, we need to start the planning process now."

IID began the process of looking at the availability of new energy sources. With power use increasing at between 2 and 5 percent a year, the District anticipates it will need additional generation by 2003.

At the same time, IID has concentrated on upgrading the transmission and distribution system to improve reliability and service. Yet, infrastructure is just a step in the process. What the District is really working to develop is customer satisfaction.

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Court Appointed Special Advocate

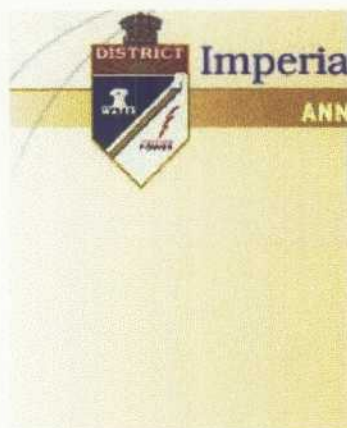
"I do all the things I don't have to do because the children really need someone. My benefit is seeing that they are happy children."

Janie Sampson

IID Customer Representative

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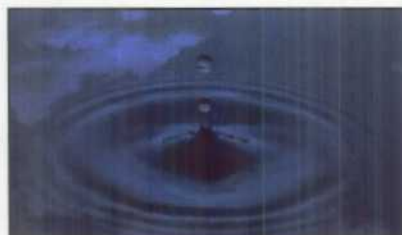
Safe Drinking Water

For an irrigation district that prides itself on serving its customers, the Safe Drinking Water Act offered a bitter glass of options. To comply with new provisions in the act, IID could build a water treatment facility estimated to cost hundreds of millions of dollars or it could face fines of up to \$25,000 a day. The only other alternative was for the District to grasp at a clause in the law that exempts districts with fewer than 15 residential connections from providing treated drinking water.

After studying the options, IID went to work to qualify for the exemption. But it had to prove the District's residential water connections, which ultimately numbered nearly 4,000, had alternate supplies of drinking water from state-approved providers.

"We knew the alternative water supply exemption was our best bet," said Tina Anderholt Shields, water resources senior engineer. "We had no other choice. We had to make it work."

In the process, IID became the first water district in the state to comply with provisions of the law that went into effect in August 1998. It also drew praise from the state Department of Health Services, which is charged with enforcing the act.

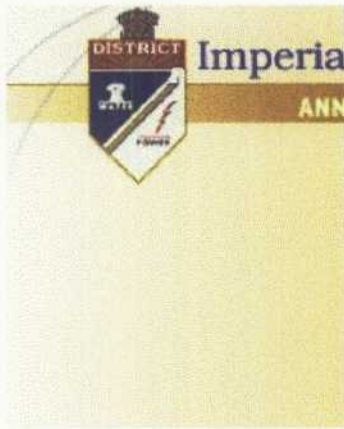


Kathleen Coates-Hedberg, then associate sanitary engineer for DHS in San Diego, said, "IID was very proactive. When dealing with new regulations, it's a challenge to implement them. Working on a regional level really helped."

For IID, the project proved to be a challenge from the start. The District created a database to keep track of the widely scattered residential water connections. Then began the difficult process of making sure each one had a current contract for alternate bottled or bulk-delivery drinking water service. To comply with the act, IID announced that residents who failed to sign up with an approved provider would have their IID water connection severed.

Although the compliance agreement initially required IID to fully comply with the act by November, the state DHS extended the deadline to March 2000 as the enormity of the task became clear.

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Going Global & Plaster City

Imperial Irrigation District gave the end of the millennium an "Ole!" when it went global by agreeing to sell power to Mexico. It also celebrated the start of the 21st Century by designing and installing new power installations to supply what will be the world's largest plasterboard manufacturer.



Imperial Little League President

"I wanted to give back to the community and try to make the system better for the kids in Imperial. Hopefully, in the long run, this will help some kids."

Gary Havens

IID Communication and Controls Technician

Providing for customers in new - and often innovative - ways is all part of a day's work at the IID of today and tomorrow. "The future requires change," said acting Power Department Manager John Steffen. "The deregulated market offers challenges and opportunities to serve customers in new ways. We have to be willing to try."

IID's willingness to step outside the box to be of service is best illustrated by its decision to become one of the first U.S. utilities to enter a firm contract to sell power to Mexico. In May, IID entered a two-year contract with Mexico's Comisión Federal de Electricidad (CFE) for the sale of up to 41 megawatts of power during the months of June to September.

Epifanio Martinez, IID senior engineer for substations, said, "It is a win-win situation. It's working well for everybody."

Necessity proved to be the spark for a creative solution in this case. CFE needed peak power to supply its booming maquiladora industry. IID worked out a deal to get the power from Arizona Public Service, which was looking for someone to buy about 40 megawatts it needs in the winter, but not in the summer. Thus the deal was developed.



IID imports the power from Arizona to its Bravo substation east of Calexico. A line was installed to take the power directly south into Mexico. Martinez said the maquiladoras are especially pleased to get IID's power because the District, unlike CFE, uses voltage regulators to prevent power spikes that can damage delicate electronic equipment.



IID made about \$1.2 million on the power sale in 1999 and expects to earn about the same amount in 2000. And Martinez said CFE has already indicated it would like to buy even more power.

Meanwhile to the west, IID upgraded a transmission line and installed a new substation to step up the service provided to U.S. Gypsum's Plaster City plant. The work goes along with U.S. Gypsum's plan to double the capacity of its plant, which will make it the largest plasterboard manufacturing facility in the world.

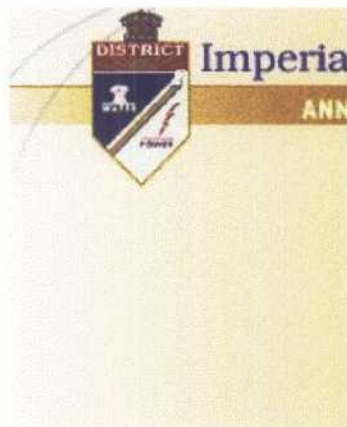
Martinez said U.S. Gypsum officials anticipate the expanded plant will need an additional 9 megawatts of energy. To accommodate the company's needs, IID upgraded the transmission line to Plaster City from 34.5 kilovolts to 92 kilovolts. The utility also completed work on a second substation in Plaster City by the end of 1999. A second transformer will be added to the substation in 2000.

U.S. Gypsum expected to continue construction of its expansion into 2000.

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Carpet of Clay

Problems often prompt progress at IID. Such was the case when the Water Department laid a "carpet" of clay to line a major canal west of Brawley.

By using a geosynthetic clay liner instead of pouring concrete, the District cut the cost of the job in half and completed the project in less than half the time. The project also resulted in saving more than 60 acre-feet of water a year.



Vice President, DeAnza Search & Rescue

"People lost in the desert are in desperate need. To make a good rescue, you have to like the desert and you have to like helping people. I get a great deal of satisfaction finding people out there."

Gary Roe

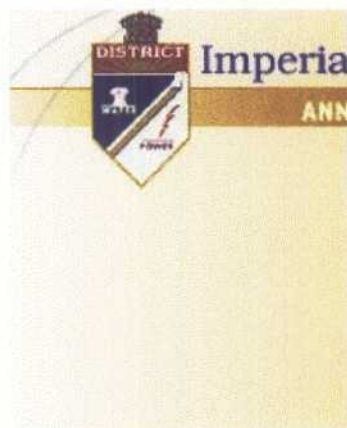
IID Heavy Equipment Mechanic

"It was a really exceptional project," Mario Escalera, IID Water Department general superintendent of project management, said. "The emergency nature of the problem required immediate action. It also prompted us to be very innovative." Swift action came after Water Department officials noticed a cliff overlooking the New River was in jeopardy from water leaking from the Westside Main Canal. The canal is one of three major arteries maintained by the District to move water north from the All-American Canal.



Concrete lining the 1,500-foot section of the canal, the traditional method of repair, would have taken more than two weeks, far longer than crops depending on the water could tolerate. Instead the District used a product called Bentomat CL, which sandwiches dense clay between a heavy vinyl membrane and a loose-weave fabric. The material was rolled out across the canal and held in place with a layer of dirt. When wet, the clay swells up to form an impervious barrier. The work was finished in just five days at a cost of \$200,000. Bradford H. Miller, regional manager of CETCO, the manufacturer of the clay liner, uses the Westside Main project as a case study for his product. "This is a very innovative approach to fixing a problem and, at the same time, conserving water," Miller said.

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Lineman Training

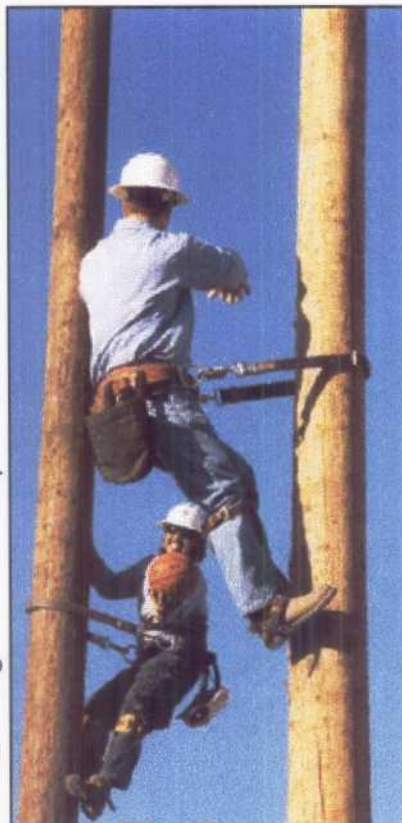
Imperial Irrigation District offers a unique opportunity to employees who really want to move up in the world - a lineman apprenticeship training program.

"It's an intense program," said Rick Johnson, District training supervisor. "But we wanted more qualified linemen ... and the program really validates the experience of our linemen."

The District's four-year lineman apprenticeship program is the only one certified by the California Department of Education and the Department of Labor, Division of Apprenticeship Standards.

Training starts with two weeks of pole-climbing school at the District's training facility in El Centro. The students learn to climb with steel gaffs strapped onto their legs and a leather strap around their waists and the pole. They learn to trust their equipment and their newly acquired skills by tossing a basketball to one another.

Following the training, the apprentices are certified to climb as high as 65 feet. They cannot work on live utility structures, however, until they have passed the senior apprentice exam two years into the program. To become a journeyman, the apprentices must complete eight college-level courses, work a minimum of 8,000 hours on the job and pass the lineman journeyman examination at the end of the four-year program.



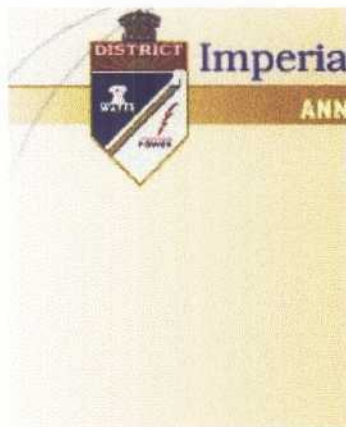
IID created the program about six years ago because it wanted to improve lineman skills. The District has a committee that oversees the program and recommends curriculum changes.

Paul Kovacic, one of the program's instructors, said, "We are a unique group. There's an old saying that says we are all just 1/8th of an inch away from death every day ... it creates a lot of camaraderie because everybody's in the same spot."

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Water Destiny

Despite its calm, serene appearance, the Colorado River carries one of the most incendiary fluids known to man - water. In the West, it has sparked legendary wars. As 1999 unfolded, the opening salvos had been lobbed in a battle that threatened to grow to epic proportions.

Rather than repeat a bitter and acrimonious history, Imperial Irrigation District, Metropolitan Water District of Southern California and the Coachella Valley Water District decided to take a different tack. They agreed to enter the new millennium using new tools - compromise and cooperation - to allow Colorado River water users to guide their own destiny.

The agreement, known as the Quantification Settlement Agreement, offers a first step toward developing a process of self-determination for Colorado River through collaboration. When they laid aside decades-old differences, the agencies came up with extraordinary ideas and critical compromises to help California reduce its overreliance on the Colorado River.

Months of intense negotiations produced the "Key Terms" for the Quantification Settlement Agreement, a document no less historic than those of the 1920s and 1930s that laid the foundation of what has become known as the "Law of the River." The Key Terms are based on a plan to reduce California's use of Colorado River water by over 500,000 acre-feet (from 5.2 to 4.4 MAF) by having urban water users help pay for extraordinary conservation of agricultural water. This partnership effectively extends the usefulness of a finite water supply.

Even more importantly, the Key Terms provide for long-term peace among the agencies, which allows them to meet their water needs and plan for the future without fear of legal challenge by each other over their water rights.



Talks leading to the Key Terms actually began in 1998 as a way of removing Coachella Valley Water District's threat to take legal action to block a water conservation and transfer agreement between IID and the San Diego County Water Authority. David Hayes, assistant secretary of the Department of the Interior, and Thomas M. Hannigan, director of the California Department of Water Resources, also participated in the negotiations that took the discussions far beyond Coachella's concerns. IID Directors Andy Horne and Lloyd Allen headed up the District's negotiating team.

IID continued to meet the milestones required for the transfer to proceed during the months of negotiations on the Key Terms.

Environmental studies progressed and farmers signed up to show preliminary interest in conserving at least 130,000 acre-feet of water by October 29, 1999, as was required by the transfer agreement.

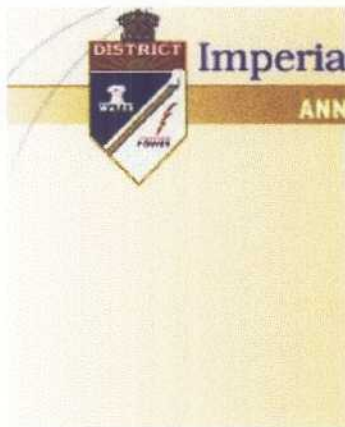
Ultimately, the Key Terms included a water budget that defined the means to meet each of the agencies' long-term needs. It called for further conservation by IID to be funded by its urban neighbors. The Key Terms call for IID to cap its annual Colorado River allocation for the first time at 3.1 million acre-feet. It capped Coachella's allocation at 330,000 acre-feet.

Contracts to implement the Key Terms were left to be finished and the other basin states need to ratify parts of the agreement in the new millennium. Still, Hayes and Secretary of the Interior Bruce Babbitt praised the Key Terms and the epic negotiations from which it grew as a signal of a new age in the water world: an age in which collaboration replaces combat, in which solutions assuage strife.

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Business Computer System

At least two years ago, Imperial Irrigation District officials realized the District would need a new computer system to compete in a deregulated power industry and to solve Y2K concerns. They also realized the District could look beyond the problem and use information technology as a strategic business tool to manage, plan and serve the customers better.

In July 1998, the District began the process of implementing SAP R/3 Enterprise Resource Planning software.

"It's important to look beyond the challenge of adjusting to a new computer system to appreciate where this extraordinary new technology can take us," said IID General Manager Jesse Silva. "By implementing this business computer system we will be able to save money, work more efficiently and, most importantly, serve our customers better."



Bass Singer, Imperial Valley Chambers Singers

"When concert time comes and I see the faces in the audience and how much they appreciate good music...it's really rewarding. It neat to see a bunch of people get together and make some pretty good sounds."

Steve Burch

IID Engineering Technician

The change has not been easy. In just 18 months, IID had to structure the new software to its specifications, train the staff and transfer data from the old AS-400 system. Virtually every District employee was affected by the changeover that occurred November 22, 1999.

To commemorate the occasion, IID provided "Stepping into the New Millennium" T-shirts for employees and hosted receptions at District offices for customers. It was not easy.

Despite the challenges, IID's staff completed the most comprehensive implementation of the SAP business operating system in the nation. Experts estimate a conversion of this magnitude should take a full three years. And IID's staff pulled off the conversion within the \$13.9 million budget set for the project.

In the process, the conversion opened doors to the future. The new computer system provides the District with the means to use best business practices, better report and share data, manage resources and projects and serve its customers. The system also gives the District the tools it needs to work efficiently in the future deregulated power market.

While Y2K came and went without a hitch, the new business computer system promises to provide a long-term benefit.

"SAP is a business tool," IID Information Technology Manager Gabe Marcial said. "IID's business strategies and plans drive how the system develops. It is a never-ending process."

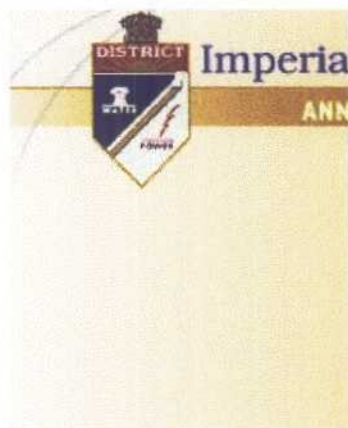
SAP

He added the implementation of Enterprise Resource Planning software will help catapult IID into the future and will be a baseline to help implement future business strategies like Customer Relations Management and e-business technologies to improve service. While a major step has been accomplished, there are still other opportunities to keep improving business. IID plans to integrate the Document Management and Geographic Information Science systems with SAP and increase operational efficiencies to continue to provide more value to the end customer.

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I.V. United & I.V.E.D.C.

Imperial Irrigation District's lonely fight to protect the Imperial Valley's water rights took a powerful new tone when a group of concerned business, agricultural and community leaders formed a coalition to join the effort.

The formation of Imperial Valley United offered a potent alliance IID's Board of Directors enthusiastically embraced.

IID Board President Bruce Kuhn said, "We had a split in this Valley. It is refreshing to see people come together for a common goal. It makes us stronger."



IMPERIAL VALLEY UNITED

IID's Board led the Board of Supervisors and the city councils of all the Valley's cities in endorsing a resolution in support of I.V. United's efforts.

The resolution, in part, states, "We are united behind the effort to preserve our water rights and will fight, if necessary, to protect the irrigation system our forefathers paid to develop."



IVEDC
Imperial Valley Economic Development Corporation

I.V. United is dedicated to educating political leaders and decision makers around the state about the importance of

Imperial Valley and the need to protect its water rights. The organization hired a public relations firm to help draft information packets and set up meetings with legislators and newspaper editorial boards around the state.

Among its key points, I.V. United:

- Supports negotiated regional solutions to help California meet its changing water needs.
- Supports voluntary water transfers to provide the financing necessary to pay for water conservation and minimize third-party impacts.
- Is united behind efforts to protect the Imperial Valley's water rights necessary to preserve the community's economy and way of life.

IID's Board agreed to contribute to I.V. United's effort and directed its staff to work with the group.



IID has recognized the benefits of expanding its customer base as a way to keep water and power costs competitive. A key tool in that

endeavor is an aggressive economic development program.

During 1999, the District intensified its efforts in the economic development arena by taking a leadership role in two regional economic development agencies. The fledgling Imperial Valley Economic Development Corporation (IVEDC) has been formed to unify the marketing efforts of all Imperial Valley's private and public sectors. In the Coachella Valley the Coachella Valley Economic Partnership (CVEP) is in its third year of operation as the region's marketing agency. Both agencies have one common thread: The private sector business involvement is critical for the success of the marketing effort. IID brings to the economic development package two of the key elements for growth - water and electricity.

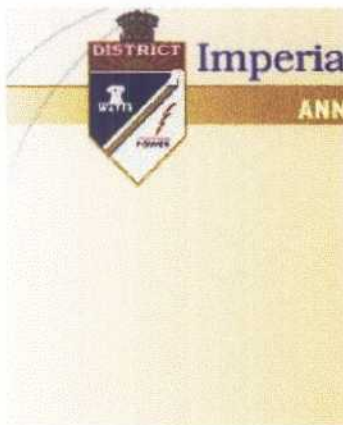
By helping guide these organizations, the District can focus the recruitment and retention efforts to businesses that are significant electric users and compatible water users. Successfully recruiting large electric users lets the District spread the cost of new generation and infrastructure. By locating businesses in Imperial Valley, the District also strengthens and develops a need for the abundant water supply rather than have that water supply transferred to the rest of Southern California.

The leadership role in the IVEDC and the CVEP are the sign of the District's continued aggressive policies to continue to protect and deliver these two resources at reasonable prices.

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y2k

Midnight, January 1, 2000, in the conference room at Imperial Irrigation District's power System Operation Control: Welcome to one of the world's tamest New Year, New Millennium celebrations. Smiles and handshakes lit up the room as IID troubleshooters, dispatchers, engineers and telecommunication staffers waited to respond to trouble that never materialized.

"It feels a little like a letdown," Javier Esparza, superintendent of energy management, said as he left the nonevent at 2 a.m. on Jan. 1. "Nothing happened."

The year 2000 rolled in as an anticlimax for most of IID's Y2K team that had worked for more than a year and a half to make the New Year's nonevent possible. The team included scores of District employees in departments spread throughout the organization. Work started in July 1998 when the District started to implement the SAP R/3 software applications because of Y2K concerns and to enhance the utility's information systems. Work continued through assessing the District's nearly 6,000 devices with computer chips and making fixes where necessary.

District employees also developed comprehensive Y2K contingency plans for water and power and supporting services. The staff participated in hundreds of hours of planning meetings, training sessions and drills to prepare for the transition into the new millennium.

"We saw Y2K as just one more challenge to overcome to serve our customers better," IID General Manager Jesse Silva said. "We were prepared for the transition but, just as important, we fine-tuned all our systems. Everything we did made us a better utility for the new millennium."

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IMPERIAL IRRIGATION DISTRICT

Combined Balance Sheets
December 31, 1999 and 1998

Assets	1999			1998		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
Current assets:						
Cash and investments (note 2)	\$ 703,390	—	703,390	3,939,742	8,011,127	11,950,869
Receivables:						
Trade	7,684,573	19,854,419	27,538,992	5,780,632	17,760,280	23,540,912
Interest	194,040	1,961,957	2,155,997	194,040	1,961,957	2,155,997
Other	509,607	3,529,655	4,039,262	1,271,621	1,374,546	2,646,167
	8,388,220	25,346,031	33,734,251	7,246,293	21,096,783	28,343,076
Less allowance for doubtful accounts	(304,999)	(1,327,598)	(1,632,597)	(305,250)	(3,405,036)	(3,710,286)
Net receivables	8,083,221	24,018,433	32,101,654	6,941,043	17,691,747	24,632,790
Inventories:						
Fuel oil	—	2,682,355	2,682,355	—	2,712,899	2,712,899
Materials and supplies	2,195,605	9,812,250	12,007,855	479,524	6,696,202	7,175,726
Total inventories	2,195,605	12,494,605	14,690,210	479,524	9,409,101	9,888,625
Prepaid expenses and deferred charges	559,824	3,438,846	3,998,670	822,560	2,824,132	3,646,692
Total current assets	11,542,040	39,951,884	51,493,924	12,182,869	37,936,107	50,118,976
Cash and investments, restricted as to use and allocated for (note 2):						
Debt service	2,473,932	15,992,233	18,466,165	2,485,500	16,643,684	19,129,184
Construction	8,036,418	52,920,630	60,957,048	8,414,891	51,800,839	60,215,730
Self-insurance	9,000,000	7,100,000	16,100,000	8,000,000	7,100,000	15,100,000
Other	18,564,787	7,359,831	25,924,618	18,715,000	7,193,521	25,908,521
	38,075,137	83,372,694	121,447,831	37,615,391	82,738,044	120,353,435
Other restricted assets – refundable to customers	—	5,521,815	5,521,815	—	2,495,242	2,495,242
Utility plant, at cost (note 3):						
Plant in service	340,107,566	876,274,326	1,216,381,892	328,776,435	831,004,901	1,159,781,336
Less accumulated depreciation	(84,083,622)	(299,127,751)	(383,211,373)	(78,284,530)	(275,980,837)	(354,265,367)
	256,023,944	577,146,575	833,170,519	250,491,905	555,024,064	805,515,969
Construction in process	—	48,638	48,638	450,816	2,677,916	3,128,732
	256,023,944	577,195,213	833,219,157	250,942,721	557,701,980	808,644,701
	\$ 305,641,121	706,041,606	1,011,682,727	300,740,981	680,871,373	981,612,354

IMPERIAL IRRIGATION DISTRICT

Combined Balance Sheets

December 31, 1999 and 1998

Liabilities and District Equity	1999			1998		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
Current liabilities:						
Current maturities of long-term debt (note 5)	\$ 1,112,033	2,952,033	4,064,066	1,305,684	2,192,742	3,498,426
Accounts payable	749,529	12,106,119	12,855,648	1,866,750	11,996,560	13,863,310
Accrued interest payable	5,286	1,315,230	1,320,516	16,656	1,391,844	1,408,500
Accrued compensation and payroll taxes	1,326,106	1,326,106	2,652,212	1,733,918	1,733,918	3,467,836
Accrued compensated absences	367,376	909,187	1,276,563	339,074	607,475	946,549
Deferred revenue – water availability charges	2,107,970	—	2,107,970	2,099,126	—	2,099,126
Total current liabilities	5,668,300	18,608,675	24,276,975	7,361,208	17,922,539	25,283,747
Liabilities payable from restricted assets:						
Current maturities of long-term debt (note 5)	585,000	6,560,379	7,145,379	560,000	7,000,000	7,560,000
Other accrued expenses, noncurrent portion (note 11)	9,300,000	7,100,000	16,400,000	8,600,000	7,100,000	15,700,000
Advances and deposits from customers	10,861	1,950,015	1,960,876	463,639	2,352,809	2,816,448
Total liabilities payable from restricted assets	9,895,861	15,610,394	25,506,255	9,623,639	16,452,809	26,076,448
Long-term debt (note 5):						
Certificates of participation (note 6)	14,808,925	124,051,464	138,860,389	15,386,285	129,613,593	144,999,878
Bonds payable (note 7)	1,498,033	—	1,498,033	1,580,732	—	1,580,732
Capital leases (note 8)	1,396,209	3,213,501	4,609,710	1,778,993	3,451,847	5,230,840
Total long-term debt	17,703,167	127,264,965	144,968,132	18,746,010	133,065,440	151,811,450
Deferred credits and other liabilities:						
Advances for construction	—	7,370	7,370	—	7,370	7,370
Accrued vacation and sick leave, noncurrent portion	2,801,207	1,900,479	4,701,686	2,440,222	2,285,262	4,725,484
Total deferred credits and other liabilities	2,801,207	1,907,849	4,709,056	2,440,222	2,292,632	4,732,854
Total liabilities	36,068,535	163,391,883	199,460,418	38,171,079	169,733,420	207,904,499
District equity:						
Contributions in aid of construction	105,981,941	33,667,865	139,649,806	108,220,565	25,523,093	133,743,658
Retained earnings	163,590,645	508,981,858	672,572,503	154,349,337	485,614,860	639,964,197
Total District equity	269,572,586	542,649,723	812,222,309	262,569,902	511,137,953	773,707,855
\$	305,641,121	706,041,606	1,011,682,727	300,740,981	680,871,373	981,612,354

IMPERIAL IRRIGATION DISTRICT

Combined Statements of Income

Years ended December 31, 1999 and 1998

	1999			1998		
	Water Department	Power Department	Combined	Water Department	Power Department	Combined
Operating revenues:						
Power sales	\$ —	201,548,912	201,548,912	—	198,813,145	198,813,145
Water sales	39,589,609	—	39,589,609	38,623,849	—	38,623,849
Water availability charge	2,017,967	—	2,017,967	2,969,222	—	2,969,222
Interdepartmental charges (note 10):						
Use of All-American Canal	3,811,000	(3,811,000)	—	3,784,000	(3,784,000)	—
Power sales	(1,381,180)	1,381,180	—	(741,740)	741,740	—
Heber-Mirage transmission credits (note 11)	—	376,302	376,302	—	377,974	377,974
Wheeling charge	—	8,994,786	8,994,786	—	9,348,376	9,348,376
Other	—	712,866	712,866	—	613,620	613,620
	<u>44,037,396</u>	<u>209,203,046</u>	<u>253,240,442</u>	<u>44,635,331</u>	<u>206,110,855</u>	<u>250,746,186</u>
Operating expenses:						
Purchased power	—	92,660,043	92,660,043	—	103,375,551	103,375,551
Cost of fuel	—	20,240,460	20,240,460	—	10,756,560	10,756,560
Other power expenses	—	32,021,377	32,021,377	—	23,060,608	23,060,608
Operation and maintenance of All-American Canal	2,312,760	—	2,312,760	2,808,744	—	2,808,744
Operation and maintenance of irrigation system and dams	22,318,490	—	22,318,490	24,607,617	—	24,607,617
General and administration expense	11,050,112	17,390,944	28,441,056	10,705,645	15,905,823	26,611,468
Provision for depreciation (note 3)	3,979,496	26,819,451	30,798,947	6,421,209	22,242,656	28,663,865
	<u>39,660,858</u>	<u>189,132,275</u>	<u>228,793,133</u>	<u>44,543,215</u>	<u>175,341,198</u>	<u>219,884,413</u>
Net operating income	<u>4,376,538</u>	<u>20,070,771</u>	<u>24,447,309</u>	<u>92,116</u>	<u>30,769,657</u>	<u>30,861,773</u>
Nonoperating revenues (expenses):						
Interest income	1,728,971	5,532,474	7,261,445	1,944,538	4,326,647	6,271,185
(Decrease) increase in fair value of investments	(1,245,993)	(2,822,360)	(4,068,353)	331,978	727,680	1,059,658
Interest expense	(1,160,164)	(8,082,404)	(9,242,568)	(1,150,774)	(8,672,244)	(9,823,018)
Other income	1,389,926	7,045,702	8,435,628	8,772,480	2,344,727	11,117,207
Other expenses	—	—	—	(14,184)	(5,125,214)	(5,139,398)
	<u>712,740</u>	<u>1,673,412</u>	<u>2,386,152</u>	<u>9,884,038</u>	<u>(6,398,404)</u>	<u>3,485,634</u>
Net income	\$ <u>5,089,278</u>	<u>21,744,183</u>	<u>26,833,461</u>	<u>9,976,154</u>	<u>24,371,253</u>	<u>34,347,407</u>

Comparative Statistics (Water Department)

	1999	1998	1997	1996	1995	1994	1993	1992
Revenues from Water Sales (\$000)								
Agricultural	\$ 37,586	\$ 36,699	\$ 34,672	\$ 34,855	\$ 31,886	\$ 30,336	\$ 27,511	\$ 24,715
Industrial	1,209	1,184	1,089	1,134	1,071	995	864	828
Municipal	447	416	398	430	412	370	354	338
Miscellaneous	513	492	444	499	291	567	575	482
	<u>\$ 39,755</u>	<u>\$ 38,791</u>	<u>\$ 36,603</u>	<u>\$ 36,918</u>	<u>\$ 33,660</u>	<u>\$ 32,268</u>	<u>\$ 29,304</u>	<u>\$ 26,363</u>

Water Delivered (acre feet)

Agricultural	2,728,923	2,740,661	2,803,640	2,821,987	2,678,768	2,674,282	2,414,113	2,192,316
Industrial	17,246	17,573	17,458	18,130	17,708	17,152	14,897	14,272
Municipal	31,905	30,858	31,734	34,267	34,052	31,439	30,513	29,137
	<u>2,778,074</u>	<u>2,789,092</u>	<u>2,852,832</u>	<u>2,874,384</u>	<u>2,730,528</u>	<u>2,722,873</u>	<u>2,459,523</u>	<u>2,235,725</u>

Historical Water Rates

Water (per acre foot)	\$ 14.00	\$ 13.50	\$ 12.50	\$ 12.50	\$ 12.00	\$ 11.50	\$ 11.50	\$ 11.50
Water Availability (per acre)	\$ 3.80	\$ 5.70	\$ 5.70	\$ 5.70	\$ 3.80	\$ 3.80	\$ 3.80	\$ 3.80

Fund Balances (\$000) (December 31)

Water Operating Fund	\$ 13,197	\$ 19,581	\$ 22,889	\$ 26,921	\$ 11,701	\$ 10,582	\$ 10,105	\$ 9,857
Capital Reserves	2,763	2,869	3,363	939	2,649	4,189	6,160	11,490
Indirect Reserve Fund	23,927	19,106	22,162	16,512	16,020	26,269	20,681	15,861
	<u>\$ 39,887</u>	<u>\$ 41,556</u>	<u>\$ 48,414</u>	<u>\$ 44,372</u>	<u>\$ 30,370</u>	<u>\$ 41,040</u>	<u>\$ 36,946</u>	<u>\$ 37,208</u>

Comparative Statistics (Power Department)

	1999	1998	1997	1996	1995	1994	1993	1992
Revenues from Energy Sales (\$000)								
Residential	\$ 87,186	\$ 81,949	\$ 80,210	\$ 76,310	\$ 68,637	\$ 75,731	\$ 69,424	\$ 66,839
Commercial/Industrial	90,747	98,969	104,537	99,759	97,416	101,624	92,203	82,469
Other	14,859	13,872	13,304	13,157	12,221	12,937	11,672	10,646
	<u>\$ 192,792</u>	<u>\$ 194,790</u>	<u>\$ 198,051</u>	<u>\$ 189,226</u>	<u>\$ 178,274</u>	<u>\$ 190,292</u>	<u>\$ 173,299</u>	<u>159,954</u>

Energy Sold (MWh)

Residential	1,084,937	983,589	952,866	942,020	867,229	884,516	830,757	843,438
Commercial/Industrial	1,111,631	1,139,335	1,297,306	1,272,742	1,276,291	1,231,184	1,160,942	1,091,214
Other	184,345	230,935	162,161	167,684	157,593	154,823	144,261	137,715
	<u>2,380,913</u>	<u>2,353,859</u>	<u>2,412,333</u>	<u>2,382,446</u>	<u>2,301,113</u>	<u>2,270,523</u>	<u>2,135,960</u>	<u>2,072,367</u>

Electric Customers

Residential	77,825	75,521	74,213	72,995	71,081	69,574	67,714	67,985
Commercial/Industrial	13,694	12,242	12,256	11,972	11,758	11,647	11,442	11,367
Other	1,967	2,889	2,634	2,598	2,549	2,501	2,478	1,451
	<u>93,486</u>	<u>90,652</u>	<u>89,103</u>	<u>87,565</u>	<u>85,388</u>	<u>83,722</u>	<u>81,634</u>	<u>80,803</u>

Electric Plant

Net Utility Plant	#####	#####	#####	#####	#####	#####	#####	#####
Miles of Lines:								
Transmission	1,638	1,543	1,643	1,648	1,637	1,632	1,503	1,266.00
Distribution	3,648	3,393	3,583	3,499	3,415	3,382	3,340	3,308.00

Bonded Indebtedness

#####	#####	#####	#####	#####	#####	#####	#####	#####
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Power Supply (MWh)

Purchases	1,834,918	1,493,146	1,869,842	1,945,076	2,192,687	2,780,027	1,979,081	1,735,682
Generation	887,759	1,025,792	943,125	806,068	756,462	671,643	910,151	514,664

Peak Demand (MW)	680	684	632	639	630	620	567	556
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Historical Average Electric Rates (cents)

Base Rate	8.05	7.92	7.84	7.94	7.40	7.82	8.01	7.52
Energy Cost Adjustment	0.05	0.05	0.16	-	0.35	0.56	0.10	0.20
	8.10	7.97	8.00	7.94	7.75	8.38	8.11	7.72

Reconciliation of Net Earnings to Balance Available for Debt Service (\$000)

Net Earnings	\$ 21,744	\$ 24,371	\$ 34,409	\$ 33,169	\$ 21,102	\$ 31,345	\$ 23,569	\$ 32,427
Miscellaneous	(376)	(378)	(2,472)	(8,208)	(8,505)	(8,579)	(8,624)	(7,132)
Add Back:								
Depreciation	28,271	23,153	21,887	21,253	21,072	19,056	17,663	15,407
Interest Expense	8,082	8,672	8,923	9,696	10,539	10,285	7,053	6,723
Balance Available for Debt Service	\$ 57,721	\$ 55,818	\$ 62,747	\$ 55,910	\$ 44,208	\$ 52,107	\$ 39,661	\$ 47,425
Debt Service	13,960	\$ 20,467	\$ 20,499	\$ 20,512	\$ 20,527	\$ 19,326	\$ 16,149	\$ 16,794
Coverage on Debt Service	4.13	2.73	3.06	2.73	2.15	2.70	2.46	2.82
Add Back Obligation Service	\$ 14,460	\$ 14,460	\$ 14,460	\$ 12,743	\$ 11,651	\$ 11,652	8,596	5,650
Balance Available for Debt and Obligation Services	\$ 72,181	\$ 70,278	\$ 77,207	\$ 68,653	\$ 55,859	\$ 63,759	\$ 48,257	\$ 53,075
Coverage on Debt and Obligation Services	2.54	2.01	2.21	2.06	1.74	2.06	1.95	2.36